2022
Annual Report

of the Farm Credit Administration
Regulator of the Farm Credit System








Contents

Accessibility:

This annual report is illustrated with photos of American farmers and ranchers of a range of ages, genders, races and abilities, including African American, Asian, Caucasian, and disabled (amputee) in agricultural settings, including wheat harvest, orchard, cattle ranching, and nursery operation. Farm animals of all types are also illustrated. These photographs are artifacted, but essential graphs and chart graphics are described in readable body text and, when necessary, in Alt Text.

About this report

This is the Farm Credit Administration's annual report to Congress. Section 5.17(a)(3) of the Farm Credit Act of 1971, as amended, requires this report to include the following:

- An annual report to Congress on the condition of the Farm Credit System (FCS or System) and its institutions and on the manner and extent to which the objectives of the Farm Credit Act are being carried out
- A summary and analysis of the annual reports submitted to us by the FCS banks regarding programs for serving young, beginning, and small farmers and ranchers

The report also includes information about our agency and the work we do to ensure that the System continues to meet its mission and to operate safely and soundly.

FCA's mission is to ensure that System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America.

About FCA and the Farm Credit System

The Farm Credit Administration is an independent agency in the executive branch of the U.S. government. We are responsible for regulating and supervising the Farm Credit System (its banks, associations, and related entities) and the Federal Agricultural Mortgage Corporation (Farmer Mac).[1]

The System is a nationwide network of borrower-owned financial institutions that provide credit to farmers, ranchers, residents of rural communities, agricultural and rural utility cooperatives, and other eligible borrowers.

Farmer Mac is a federally chartered corporation that provides a secondary market for agricultural real estate loans, government-guaranteed portions of certain loans, rural housing mortgage loans, and eligible rural utility cooperative loans.

FCA's mission is to ensure that System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America. We have two primary functions: examination and regulation.

Examination

We conduct onsite examinations at every System institution on a regular basis to

- evaluate its financial condition;
- evaluate its compliance with laws and regulations;
- identify any risks that may affect the institution or the System as a whole; and
- ensure it is fulfilling its public mission to serve the credit and related needs of farmers and ranchers, including those who are young, beginning, or small.

If a System institution violates a law or regulation or operates in an unsafe or unsound manner, we use our supervisory and enforcement authorities to bring about appropriate corrective action.

Regulation

We issue policies and regulations governing how System institutions conduct their business and interact with borrowers. These policies and regulations focus on

- protecting System safety and soundness;
- implementing the Farm Credit Act;
- providing minimum requirements for lending, related services, investments, capital, and mission; and
- ensuring adequate financial disclosure and governance.

We also approve corporate charter changes, System debt issuances, and other financial and operational matters.

1 Although Farmer Mac is an FCS institution under the Farm Credit Act, we discuss Farmer Mac separately from the other institutions of the FCS. Therefore, throughout this report, unless Farmer Mac is explicitly mentioned, the Farm Credit System refers only to the banks and associations of the System. For more information about Farmer Mac, see page 43.

Our authorities and governance

FCA derives its powers and authorities from the Farm Credit Act of 1971, as amended (12 U.S.C. 2001–2279cc). The U.S. Senate Committee on Agriculture, Nutrition, and Forestry and the U.S. House of Representatives Committee on Agriculture oversee FCA and the FCS.

FCA does not receive a federal appropriation. We maintain a revolving fund financed primarily by assessments from the institutions we regulate. Other sources of income for the revolving fund are interest earned on investments with the U.S. Treasury and reimbursements for services we provide to federal agencies and others. FCA's access to the revolving fund, however, is regulated through congressional appropriations legislation.

FCA is governed by a full-time, three-person board whose members are appointed by the president of the United States with the advice and consent of the Senate. Board members serve a six-year term and may remain on the board until a successor is appointed. The president designates one member as chairman of the board, who serves in that capacity until the end of his or her term. The chairman also serves as our chief executive officer. For information about our current board, see page 48.

The Farm Credit System Insurance Corporation

FCA board members also serve as the board of directors for the Farm Credit System Insurance Corporation (FCSIC), which was established by the Agricultural Credit Act of 1987 in the wake of the agricultural credit crisis of the 1980s. The purpose of FCSIC is to protect investors in Systemwide debt securities by insuring the timely payment of principal and interest on obligations issued by FCS banks.

It fulfills this purpose by maintaining the Farm Credit Insurance Fund, a reserve that represents the corporation's equity. FCSIC reports the balance of the Insurance Fund in its quarterly financial statements, which are posted on its website at www.fcsic.gov.

Message from the board

As members of the Farm Credit Administration board, we are pleased to present FCA's 2022 annual report. The Farm Credit System (System), which FCA oversees and regulates, has faced many challenges since September 2022, when we published our last annual report, but we can report with confidence that the System remains fundamentally safe and sound. It is well-positioned to meet the credit needs of American agriculture and rural communities.

We provide this message from the board as an introduction to the 2022 annual report. We outline our priorities and the progress we've made toward achieving them. We also describe current conditions (as of late summer 2023) in the Farm Credit System, Farmer Mac, and in the general and farm economies. The balance of this report focuses on results from 2022.

Our priorities and progress

One important development since publication of our last annual report is the filling of the vacancy on the FCA board. In October 2022, we welcomed Vincent Logan, a member of the Osage Nation and the agency's first openly LGBTQ board member. Later that month President Biden appointed Mr. Logan to the position of board chairman and CEO.

Chairman Logan previously served under the Obama Administration as the special trustee for American Indians at the U.S. Department of the Interior. He has worked in New York both as a lawyer, practicing in aircraft, shipping, and equipment finance, and as an investment advisor, focusing on institutional asset management and permanent fund development. He has also served as a director to the Federal Reserve Bank of St. Louis, Little Rock Branch. The board and FCA have already benefitted greatly from the experience and perspective of our newest member.

Under Chairman Logan's leadership, the agency has been emphasizing good governance and innovation; diversity and inclusion; service to young, beginning, and small (YBS) farmers and ranchers; and — as always — the safety and soundness of the Farm Credit System. The following provides more information about each of these priorities.

Good governance and innovation

Good governance at Farm Credit System institutions has long been an important board priority. System institutions must be governed effectively to attract a wide range of investors to Farm Credit securities, which System banks sell to raise funds to lend to farmers, ranchers, and other eligible, creditworthy borrowers.

In August of 2021, FCA took action to support good governance by finalizing new regulations on standards of conduct. These regulations, which took effect in January 2023, require each System institution to have or develop a standards of conduct program in order to integrate ethical values into its corporate culture. FCA examiners are now evaluating the implementation of these regulations, and we look forward to hearing their findings.

Over the past year, Chairman Logan has visited with System institutions, emphasizing the importance of good governance and discussing the value of innovation with System leaders. New tools, such as artificial intelligence and cloud computing, are transforming the financial world, and many customers expect their financial institutions to offer services that rely on innovative solutions and best practices. At the same time, we recognize that the innovations that are appropriate for large institutions will not necessarily be appropriate for small associations.

To remain competitive in this evolving field, the System must embrace appropriate innovations while remaining mindful of associated risks. Good governance, which includes strong internal controls, can help mitigate the risks of innovation. In his conversations with System leaders, Chairman Logan has encouraged them to pursue innovation and good governance as twin priorities. Doing so will allow them to profit from the benefits of innovation while preserving the safety and soundness of their institutions.

FCA Board Chairman and CEO Vincent Logan (seated), Board Member Glen Smith (left), and FCA Board Member Jeffery Hall.

Diversity and inclusion

Over the years, FCA has received numerous accolades for its diversity and inclusion efforts. For example, in 2019, based on the Federal Employee Viewpoint Survey conducted by the Office of Personnel Management and the annual ratings from the Partnership for Public Service, FCA was ranked first among small agencies on efforts to increase diversity. We were again ranked first in this category in 2022. And we're pleased to report that Chairman Logan, with the full support of the board, has been strengthening our diversity and inclusion efforts still further.

One of his first actions was to elevate the status of our Office of Equal Employment Opportunity and Inclusion, to redirect its reporting structure directly to the Office of the Chairman, and to increase the resources available to it. He added a staff position to the office and filled the position by hiring a subject-matter expert to focus on recruiting and outreach to a variety of groups, including veterans and Native Americans. He also increased the diversity of the agency's senior staff team by hiring FCA's first-ever Latina chief of staff.

In July, Chairman Logan issued an informational memorandum on diversity and inclusion to the institutions we regulate. Titled "Revisiting diversity and inclusion 10 years after implementation of the business planning rule," the memorandum reviews the requirements of our business planning regulations and identifies ways for System institutions to strengthen their service to underserved groups. The chairman has also emphasized diversity and inclusion in his many visits with System institutions since joining the agency.

Service to YBS producers

Another priority, which often overlaps with our diversity and inclusion objectives, is our commitment to strengthening the System's service to young, beginning, and small farmers and ranchers. We've continued to make good progress in this area.

Members of staff have reviewed the many comments we received on the proposed YBS rule, which we issued in May 2022. They are addressing these comments in a draft final rule, which is on track to be published this fall, as scheduled in our most recent submission for the Unified Agenda.

As we've stated in previous annual reports, one of our key objectives has been to modernize YBS data collection. To that end, we plan to transition next year to a new reporting system that will give us a clearer picture of YBS lending by allowing us to better break down and categorize loan data. It will also provide greater consistency in reporting, leverage the Farm Credit System's existing data systems, and reduce regulatory reporting burden for institutions over the long term.

In addition, we are modernizing the criteria by which producers qualify for the small-farmer category. Currently, we define small farmers and ranchers as those with gross annual sales of less than $250,000. Since the value of $250,000 is much less today than it was when we first implemented the YBS reporting requirements, we will raise this figure to $350,000 beginning next year in line with the U.S. Department of Agriculture's criteria for small farmers and ranchers.

We're excited about these improvements and look forward to seeing the benefits of the enhanced data collection. The improvements will allow us to measure YBS lending more accurately, which will in turn help us better evaluate strategies for strengthening YBS service and the effectiveness of each institution's YBS program.

Safety and soundness

For the regulator of the Farm Credit System, no priority can be greater than its safety and soundness. As we saw this past spring, unsafe banking practices can lead to bank failures, and failures of large institutions can have a destabilizing effect on the whole economy.[2]

To keep System institutions safe and sound, our examiners continually monitor System institutions for signs of weakness. We also closely track developments in the economy, such as the recent interest rate increases, to ensure that institutions have the necessary capital and risk management processes to withstand difficult times.

Our National Oversight Plan for 2023 calls for FCA examiners to pay special attention to the institutions' strategic business plans, particularly with respect to capital adequacy and portfolio planning.

2 Unlike the banks that failed earlier this year, System banks should not be susceptible to bank runs because they do not accept deposits.

Our examiners are reviewing plans to make sure that each institution's capitalization goals and strategies reflect the current challenges facing the institution.

Our examiners are also evaluating institutions' stress-testing scenarios to make sure the scenarios can accurately capture the impacts of macroeconomic headwinds on the financial performance of borrowers, which in turn affects the portfolio quality of System lenders. In addition, FCA examiners are reviewing the guidance that institutions are providing to their staff regarding loan underwriting and credit administration to make sure this guidance adequately addresses the increased risks of the current environment.

The next section of this message describes many of the risks that we're monitoring as we continue to oversee the safety and soundness of the System.

Current conditions

Following is a brief update about current conditions in the Farm Credit System and Farmer Mac, as well as conditions in the general and farm economies.

The Farm Credit System

Despite rising interest rates, weaker commodity prices, and higher input costs, the Farm Credit System reported solid financial results for the first half of 2023, including favorable earnings, low portfolio credit risk, and a strong capital base. For the six months ended June 30, System net income equaled $3.51 billion, down from $3.57 billion for the same period a year ago. Higher provisions for credit losses and noninterest expenses, largely offset by increases in net interest income and noninterest income, accounted for the slight drop in net income.

The System's loan portfolio continued to perform well. Although nonperforming assets (nonaccrual loans, accruing loans that are 90 days or more past due, and other property owned) were up slightly, from 0.47% of outstanding loans at Dec. 31 to 0.57% at June 30, the overall level remains low. Nonaccrual loans, which represent the largest share of nonperforming assets, increased to $2.0 billion at June 30, compared with $1.3 billion at Dec. 31. Loans classified less than acceptable were 3.8% of the System's loan portfolio, up from 3.6% a year ago.

A strong capital base ensures that System institutions have the risk-bearing capacity to support U.S. farmers and ranchers during uncertain times. At June 30, System capital totaled $71.2 billion, compared with $68.6 billion at Dec. 31. Capital as a percentage of total assets was 14.7%, up from 14.4% at year-end. Regulatory capital ratios at all System banks and associations were well above minimum capital requirements.

Having strong capital levels and ample liquidity helps protect the System from capital market disruptions, such as the one that occurred following the bank failures in spring 2023. Our staff monitored the System closely during this period. Fortunately, it experienced no significant impacts from these failures, and we expect it to continue to have ready access to the capital markets that supply the funds System institutions lend to farmers, ranchers, and other eligible borrowers.

Farmer Mac

Farmer Mac, also part of the Farm Credit System, remains safe and sound. For the first half of 2023, its outstanding business volume grew from $25.9 billion to $26.7 billion, or 3.1%. The Agricultural Finance portfolio, which includes Farm & Ranch and Corporate AgFinance, was the primary contributor to this growth, increasing by $0.5 billion (2.4%) over the six-month

For the regulator of the Farm Credit System, no priority can be greater than its safety and soundness.

period. Rural Infrastructure Finance volume, which includes rural utility and renewable energy volume, increased by $0.4 billion (5.3%).

Farmer Mac's core capital was $1.4 billion as of June 30, 2023, up 9.4% for the 12-month period, which is $566.3 million above the minimum requirement. Farmer Mac's credit risk remained stable for the six-month period. Loans classified as 90 days past due increased from 0.41% to 0.42% of the Agricultural Finance mortgage loan portfolio. As a percentage of total outstanding agricultural finance volume, special-mention and substandard volume increased from 4.7% at year-end 2022 to 5.1% six months later.

The general economy

Inflation took center stage in 2022. Global supply chains and U.S. labor markets struggled to adjust to surging consumer demand. Russia's invasion of Ukraine introduced substantial uncertainty into global energy and commodity markets, pushing prices up further. The Federal Reserve responded by raising interest rates to the highest level since 2007.

As of August 2023, inflation has begun to ease following multiple interest rate increases, supply chain improvements, and a more typical pattern in consumer purchases of goods and services. Consumer spending and a rebound in business spending are supporting economic growth.

With the unemployment rate near historic lows, the labor market continues to experience strong wage growth. However, wage increases have made labor more expensive even though a high proportion of the working-age population is either working or actively looking for work.

As 2023 continues to unfold, the U.S. economy faces several challenges. Consumer spending could weaken if consumers rack up more debt at higher interest rates. Changes in consumer borrowing and debt repayment performance are key to economic growth this year. Also, weakness in the commercial real estate market could affect lenders with heavy exposure to the sector. Finally, the dollar's continued strength reduces the cost of imported goods but negatively affects export-dependent sectors like agriculture.

The farm economy

For much of 2022, the U.S. food system had to contend with more costly inputs and supply chain problems, with major cost increases for energy, transportation, chemicals, equipment, and labor. Still, economic growth fueled demand for farm products domestically and internationally, providing critical support to commodity prices.

In the first half of 2023, farm prices and input costs have fallen from last year's peaks. Crop prices declined as fears that the Ukraine conflict would cause global food shortages eased and expectations rose for larger crop production because of better weather conditions this year. Meanwhile, the cost of some inputs such as fertilizer have declined, and improved global supply chains have increased the availability of farm equipment. However, some costs, such as labor and interest expenses, remain elevated.

For grain farmers, margins are likely to tighten because the reduction in commodity prices is generally expected to exceed declines in input costs. Producers and their lenders will need to be ready for financial pressures ahead. A positive sign for crop producers was a summer weather rally that offered an opportunity to lock in more attractive prices for fall harvest than those available earlier in the year.

As for livestock, cattle producer margins in 2022 were generally favorable because strong domestic and export demand and limited production supported prices. Production declines have only accelerated in 2023 because the improved drought situation across much of the country has encouraged herd expansion, which limits beef production. In contrast, weak prices in the dairy, hog, and poultry sectors have pushed margins into the red in the first half of 2023.

Government payments to farmers have bolstered farm income in recent years, with significant support from ad hoc and pandemic-related assistance. Under current farm programs, payments would not be activated until market prices drop well below current levels. Provisions in the next Farm Bill, which may not pass until next year, will likely affect future government assistance.

Regardless of the course of the farm economy, the Farm Credit System will continue its vital role of providing financing at competitive rates to the agriculture industry.

In conclusion

Having described our priorities and the challenges facing the institutions we regulate, we will conclude with a few thoughts on the resources with which we address these priorities and challenges. As always, our staff is our greatest strength and our most valuable resource.

While our examiners, policy analysts, and economists focus on our mission-critical work, our internal support teams work hard to ensure that we manage our finances effectively, provide the IT infrastructure and support we need, and continuously improve internal processes to maximize efficiency.

Like many government agencies, we face the problem of losing critical institutional knowledge and expertise as more experienced employees retire. To address this problem, we focus heavily on our university recruitment strategy and our commitment to internal professional development and mobility.

Through leadership from our Office of Equal Employment Opportunity and Inclusion, we are recruiting from a wide variety of institutions of higher learning, including historically Black colleges and universities, Hispanic-serving institutions, and other institutions with students from underserved communities. We continue to fortify our partnership with employee-led groups. And our robust training program ensures that our new employees can acquire the knowledge and skills they need to grow and receive promotions as more senior employees retire.

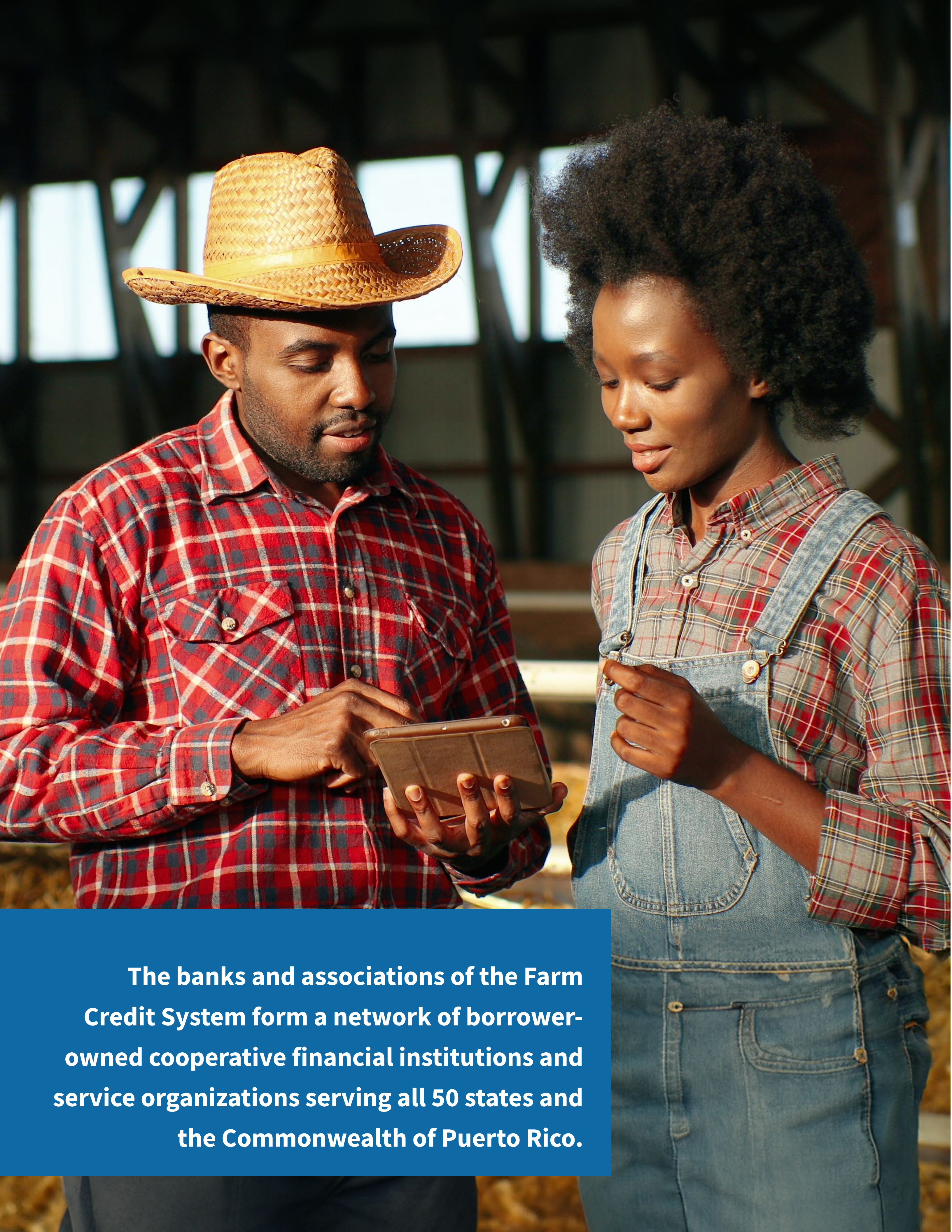
After recruiting good people and training them well, we then focus on retaining them. Through small-group meetings, Chairman Logan has heard from almost every employee in our agency, and we as a board work hard to understand and meet the needs of all our employees. In 2022, we paid particular attention to retaining newly hired examiners.

As members of the FCA board, we have the great privilege to lead this agency and its dedicated staff of public servants, and we are grateful for the opportunity to contribute to the agency's important public mission: to ensure a safe and reliable source of credit for American agriculture and rural communities.

Vincent G. Logan
FCA Board Chairman and CEO

Jeffery S. Hall
FCA Board Member

Glen R. Smith
FCA Board Member



The banks and associations of the Farm Credit System form a network of borrower-owned cooperative financial institutions and service organizations serving all 50 states and the Commonwealth of Puerto Rico.

FCS banks and associations

The banks and associations of the Farm Credit System form a network of borrower-owned cooperative financial institutions and service organizations serving all 50 states and the Commonwealth of Puerto Rico. Created by Congress in 1916 to provide American agriculture with a dependable source of credit, the FCS is the nation's oldest government-sponsored enterprise.

As federally chartered cooperatives, the banks and associations of the Farm Credit System are limited-purpose lenders. Congress created them to improve "the income and well-being of American farmers and ranchers" by providing credit and related services for them, their cooperatives, and "selected farm-related businesses necessary for efficient farm operations." Congress also gave the Farm Credit System the authority to support rural economic development by financing rural residences and rural utilities.

Congress formed the banks and associations of the FCS as a system of member-owned cooperatives to ensure that farmers, ranchers, and agricultural cooperatives can participate in the management, control, and ownership of their institutions. The participation of member-borrowers helps keep the institutions focused on serving their members' needs.

The System helps to meet broad public needs by providing liquidity and competition in rural credit markets in both good and bad economic times. The accomplishment of this public goal benefits all eligible borrowers, including young, beginning, and small farmers, as well as rural homeowners.

The System obtains the money it lends by selling debt obligations in national and international money markets through the Federal Farm Credit Banks Funding Corporation. Established under the Farm Credit Act, the Funding Corporation issues and markets debt securities on behalf of the FCS banks to raise funds. The System's debt issuances are subject to FCA approval. The U.S. government does not guarantee the obligations that the System issues.

The banks are jointly and severally liable for the principal and interest on all Systemwide debt securities. Therefore, if a bank is unable to pay the principal or interest on a Systemwide debt security and if the Farm Credit Insurance Fund has been exhausted, then FCA must call on all non-defaulting banks to satisfy the liability.

FCS structure

The System is composed of the following four banks:

- CoBank, ACB
- AgriBank, FCB
- AgFirst Farm Credit Bank
- Farm Credit Bank of Texas

As of July 1, 2023, these banks provide loans to 59 associations, which in turn make loans to farmers, ranchers, and other eligible borrowers. (See figure 1.) Three of these banks are structured as farm credit banks; the other, CoBank, is structured as an agricultural credit bank with a farm credit bank subsidiary.

All but one of the System's 59 associations are structured as agricultural credit associations (ACAs) with two subsidiaries—a production credit association (PCA) and a federal land credit association (FLCA). The PCA primarily makes agricultural production and intermediate-term loans, and the FLCA primarily makes real estate loans. FLCAs are federal land bank associations that have direct-lending authority. The ACA's parent-subsidiary structure allows the association to preserve the tax-exempt status of the FLCA and to build and use capital more efficiently. The remaining association (Plains Land Bank) is a stand-alone FLCA.

In addition to funding 17 ACAs through its farm credit bank, CoBank has a nationwide charter to make loans to agricultural and aquatic cooperatives and rural utilities, as well as to other persons or organizations that have transactions with, or are owned by, the cooperatives. CoBank finances U.S. agricultural exports and imports and provides international banking services for farmer-owned cooperatives.

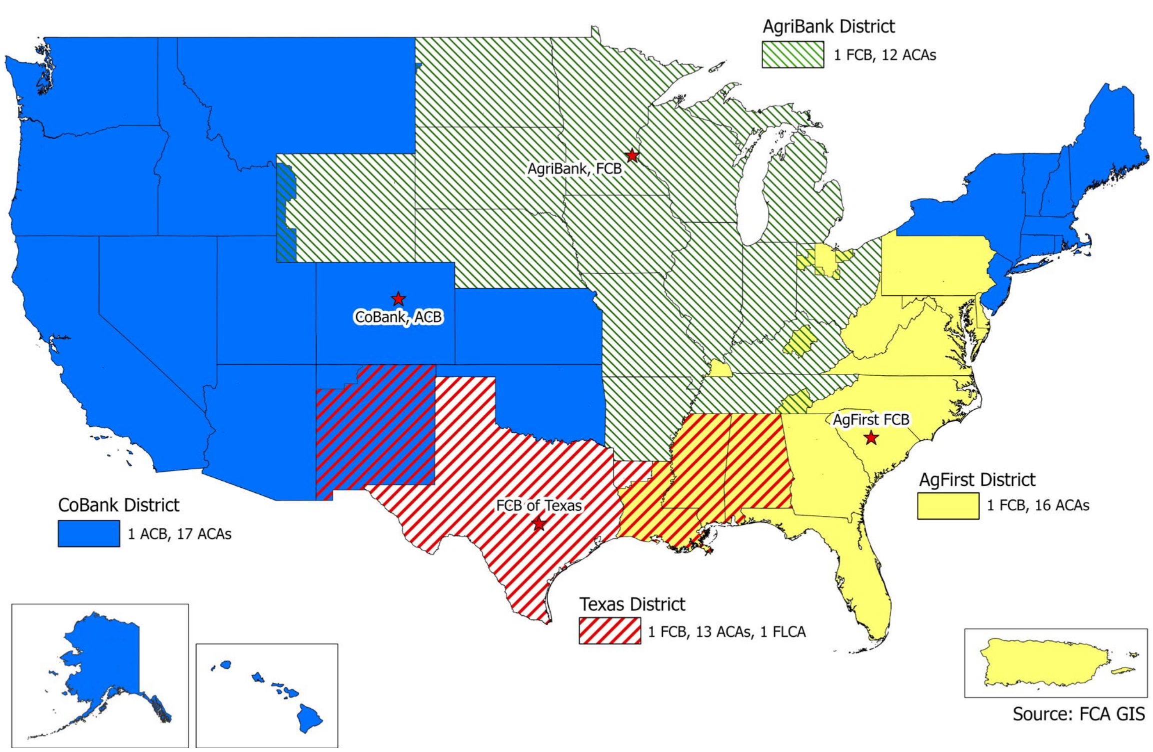
Borrowers served

Under the Farm Credit Act of 1971, as amended, the System has the authority, subject to certain conditions, to make the following types of loans:

Figure 1

Chartered territories of FCS banks

As of July 1, 2023



Note: As of July 1, 2023, CoBank funds 17 associations in the indicated areas and serves cooperatives nationwide; Farm Credit Bank of Texas funds 14 associations; AgriBank funds 12 associations; and AgFirst Farm Credit Bank funds 16 associations. The Farm Credit System contains a total of 63 banks and associations.

- Agricultural real estate loans
- Agricultural production and intermediate-term loans (e.g., for farm equipment)
- Loans to producers and harvesters of aquatic products
- Loans to certain farmer-owned agricultural processing facilities and farm-related businesses
- Loans to farmer-owned agricultural cooperatives
- Rural home mortgages
- Loans that finance agricultural exports and imports
- Loans to rural utilities
- Loans to farmers and ranchers for other credit needs

Also, under its similar-entity authority, the System may participate with other lenders to make loans to those who are not eligible to borrow directly from the System but whose activities are functionally similar to those of eligible borrowers. Through these participations, the System diversifies its portfolio, reducing the risks associated with serving a single industry.

As required by law, borrowers own stock or participation certificates in System institutions. The FCS had approximately 957,000 loans and 640,000 stockholders at year-end 2022. Approximately 87% of the stockholders were farmers or cooperatives with voting stock. The remaining percent were nonvoting stockholders, including rural homeowners and other financing institutions that borrow from the System.

Nationwide, the System had $373.3 billion in gross loans outstanding as of Dec. 31, 2022. Loans for agricultural production and agricultural real estate purposes represented by far the largest type of lending, with $239.2 billion, or 64%, of the total dollar amount of loans outstanding. See figure 2.

System funding for other lenders

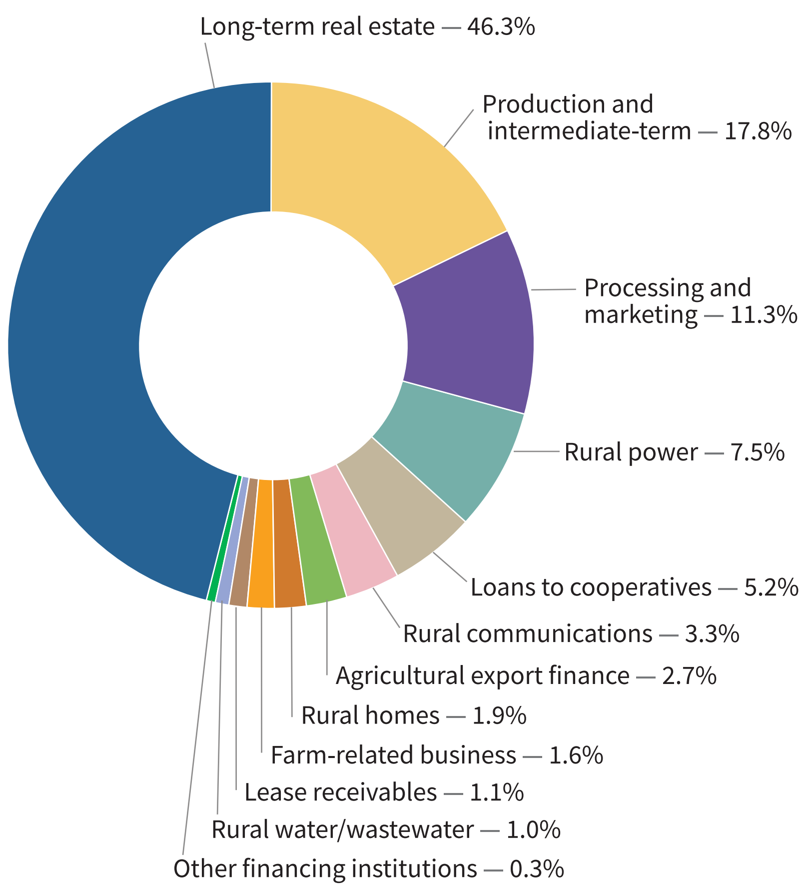
Other financing institutions

Under the Farm Credit Act, System banks may further serve the credit needs of rural America by providing funding to certain non-System lending institutions described in our regulations as “other financing institutions” (OFIs). These include the following:

Figure 2

Farm Credit System lending by type

As of Dec. 31, 2022



Source: 2022 Annual Information Statement of the Federal Farm Credit Banks Funding Corporation.

- Commercial banks
- Savings institutions
- Credit unions
- Trust companies
- Agricultural credit corporations
- Other specified agricultural lenders that are significantly involved in lending to agricultural and aquatic producers and harvesters

As of Dec. 31, 2022, the System served 17 OFIs, the same number as in 2021. Outstanding loan volume to OFIs stood at nearly $1.1 billion at year-end.

Syndications and loan participations with non-FCS lenders

In addition to the authority to provide services to OFIs, the Farm Credit Act gives FCS banks and associations the authority to partner with financial institutions outside the System in making loans to agriculture and rural America. Generally, System institutions partner with these financial institutions through loan syndications and participations to increase diversification and earnings (when they purchase volume) or to reduce credit risk and comply with lending limits (when they sell volume).

A loan syndication (or "syndicated bank facility") is a large loan for which a group of financial institutions work together to provide funds. Usually, one financial institution takes the lead, acting as an agent for all syndicate members and serving as a liaison between them and the borrower. The System's gross loan syndication volume grew by more than $5.9 billion over the past year to $32.2 billion at year-end 2022.

Loan participations are loans in which two or more lenders share in providing loan funds to a borrower. At year-end 2022, the System had $8.1 billion in net eligible-borrower loan participations with non-System lenders.

As noted above, FCS institutions also have the authority to lend to "similar-entity" borrowers (that is, those who are not eligible to borrow directly from the System but whose operations are functionally similar to those of eligible borrowers). This authority allows FCS institutions to participate with other lenders in loans to similar-entity borrowers. The System had $23.1 billion in net similar-entity loan participations with non-System lenders as of Dec. 31, 2022, up from $17.9 billion the prior year (figure 3).

Farm debt and market shares

The U.S. Department of Agriculture's estimate of total farm business debt for the year ended Dec. 31, 2021, was $474 billion, up 7.4% from its $441 billion estimate for year-end 2020. The System's market share of total farm business debt rose from 44.4% at the end of 2020 to 45.3% at the end of 2021. (See figure 4. Also, please note that 2022 data was not available at the time of publication of this report.

Except for brief periods, the FCS has held the largest market share of farm business debt secured by real estate. At year-end 2021, the System held 48.8% of this $325 billion of debt; by comparison, commercial banks held 31.1%. Commercial banks have historically dominated non-real estate farm lending. At year-end 2021, commercial banks held 43.4% of this $149 billion of debt, and the System held 37.8%.

Financial condition

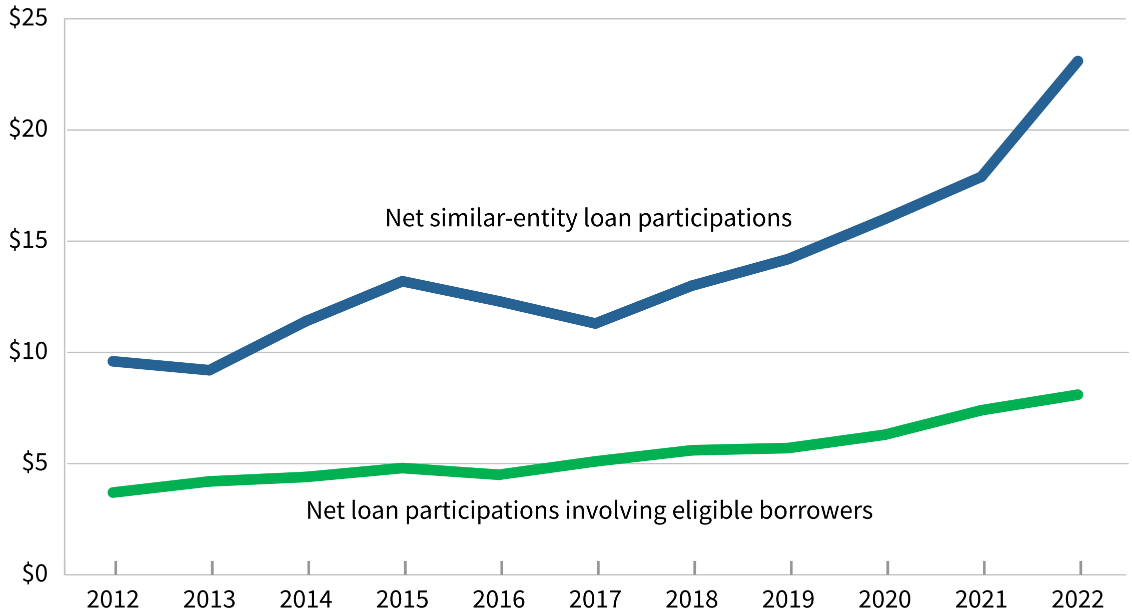
The System reported strong 2022 financial results, including robust loan growth, increased earnings, and strong portfolio

Figure 3

Loan participation transactions with non-System lenders, 2012–2022

As of Dec. 31

Dollars in billions

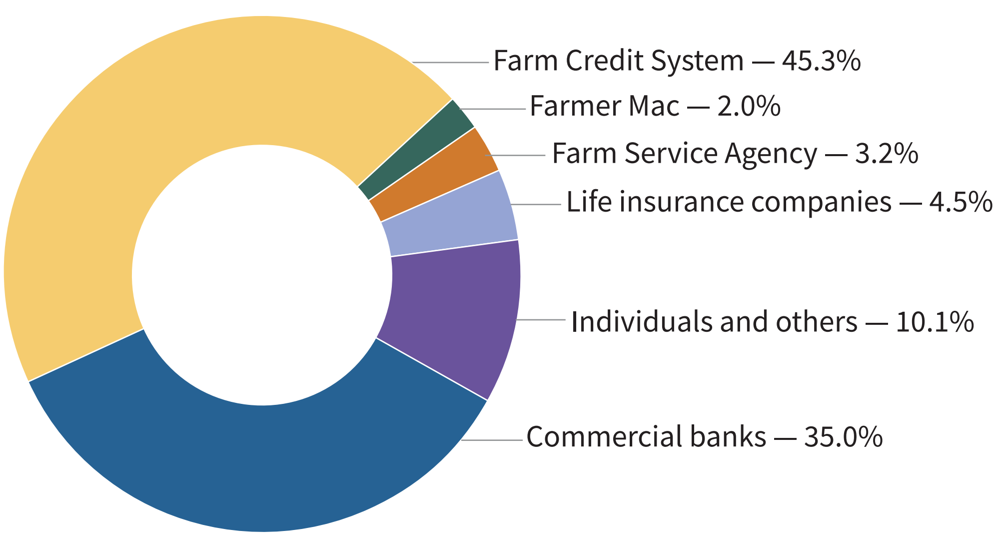


Source: Farm Credit System Call Reports.

Figure 4

Estimated market shares of U.S. farm business debt

As of Dec. 31, 2021



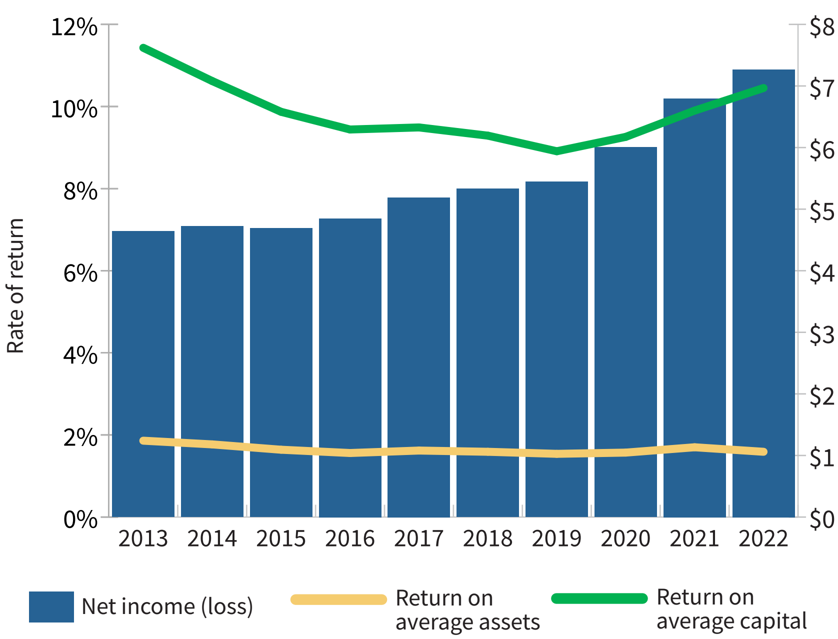
Source: FCA's Office of Data Analytics and Economics, based on Feb. 7, 2023, data from USDA's Economic Research Service.

credit quality. Capital and liquidity levels were sound and remained well above regulatory minimums. Despite rapidly rising interest rates, FCS banks had reliable access to debt capital markets.

Tables 1 and 2 provide a summary of the System's major financial indicators. For more information on the condition and performance of the System, see the 2022 Annual Information Statement of the Farm Credit System on the website of the Federal Farm Credit Banks Funding Corporation.

While the System is financially sound, a small number of individual FCS institutions displayed some material weaknesses in 2022. As the System's regulator, we addressed these weaknesses by increasing our oversight and supervision of these institutions. For more information on our supervisory and enforcement approach, see pages 35 to 38.

Figure 5
FCS net income, 2013–2022
As of Dec. 31
Dollars in billions



Source: Annual Information Statements of the Federal Farm Credit Banks Funding Corporation.

Significant global economic and geopolitical uncertainty characterized 2022. Russia's invasion of Ukraine upended global energy and commodity markets, and global supply chains and U.S. labor markets struggled to adjust to surging consumer demand. These factors contributed to a further increase in inflation, which had already been on the rise. The Federal Reserve responded by raising interest rates to the highest level since 2007. Although economic growth slowed in response to higher rates, labor markets remained tight as unemployment hovered near historic lows. Wage growth, production cost increases, and consumer demand tempered efforts to lower inflation.

The farm economy remained resilient despite volatile market conditions, rising production costs, labor shortages, and supply chain disruptions. For agricultural producers, cost increases extended beyond higher labor and interest costs to include major increases for energy, transportation, fertilizer, chemicals, and feed. Still, 2022 net farm income was significantly above its 20-year average.

Because of strong demand and only modest production increases, commodity prices remained favorable for producers, but rising costs limited profits. Livestock and dairy sectors were particularly affected by higher feed costs. For much of the year, drought in the western United States also created major challenges for producers in affected areas, especially in the cattle sector.

Earnings

The System reported solid earnings growth in 2022. For the year, System consolidated net income totaled $7.3 billion, up $472 million or 6.9% from 2021 (See figure 5). Growth in net income was largely the result of a $778 million increase in net interest income, partially offset by

$192 million in higher loan provisions and $318 million in higher noninterest expenses.

The increase in net interest income was primarily driven by higher average earning assets resulting from strong growth in the System's loan portfolio. In 2022, average earning assets grew by $44.3 billion, or 11.2%, to $441.0 billion. Rising interest rates hurt net interest spread and net interest margin in 2022. Net interest spread decreased 17 basis points to 2.16% primarily because of higher debt costs. Net interest margin decreased 7 basis points to 2.39%. A 10 basis point increase in the rate on earning assets funded by noninterest sources (principally capital) partially offset the decrease in net interest

Table 1

Farm Credit System major financial indicators, by annual comparison

Dec. 31, 2022

Dollars in millions

Item	31-Dec-22	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-18
Total assets	$477,063	$435,957	$400,693	$365,359	$348,992
Gross loan volume	$373,266	$343,929	$315,490	$286,964	$273,378
Bonds and notes	$395,576	$356,446	$325,214	$295,499	$283,276
Nonperforming assets[1]	$1,755	$1,578	$1,897	$2,347	$2,282
Net income, full year	$7,268	$6,796	$6,002	$5,446	$5,332
Nonperforming assets/Gross loans and other property owned	0.47%	0.46%	0.60%	0.82%	0.83%
Capital and insurance/Assets[2]	14.38%	15.94%	16.36%	16.90%	16.75%
Retained earnings/Assets	12.01%	12.59%	12.92%	13.41%	13.31%
Return on average assets	1.59%	1.66%	1.57%	1.54%	1.59%
Return on average capital	10.45%	9.94%	9.26%	8.91%	9.29%
Net interest margin[3]	2.39%	2.46%	2.46%	2.42%	2.46%
Efficiency ratio[4]	35.1%	35.3%	35.9%	36.2%	35.2%
Operating expenses/Average loans[5]	1.12%	1.14%	1.18%	1.18%	1.17%

Sources: FCA's Consolidated Reporting System as of Dec. 31 and the Annual Information Statements of the Federal Farm Credit Banks Funding Corporation.

1 Nonperforming assets are defined as nonaccrual loans, accruing restructured loans, accrual loans 90 or more days past due, and other property owned.

2 Capital excludes mandatorily redeemable preferred stock and protected borrower capital. Insurance refers to the funds in the Farm Credit Insurance Fund administered by the Farm Credit System Insurance Corporation.

3 Net interest margin ratio measures net income produced by interest-earning assets, including the effect of loanable funds. This ratio is a key indicator of the effectiveness of loan pricing.

4 The efficiency ratio measures total noninterest expenses for the preceding 12 months divided by the sum of net interest income and noninterest income for the preceding 12 months.

5 Operating expenses divided by average gross loans.

spread. The System's return on average assets was 1.59%, down from 1.66% in 2021. The return on average capital increased to 10.45% from 9.94%.

As cooperative institutions, FCS banks and associations typically pass on a portion of their earnings as patronage distributions to their borrower-owners. For 2022, System institutions declared a total of $3.2 billion in patronage distributions—$2.8 billion in cash, $258 million to allocated retained earnings, and $111 million to capital stock and participation certificates. This represents 44.2% of the System's net income for 2022, the same as for 2021. The System also distributed $147 million in cash from allocated retained earnings from patronage distributions in previous years.

System growth

The System continued to experience strong growth in 2022. Total assets increased to $477.1 billion, up $41.1 billion,

Table 2

Farm Credit System major financial indicators, by district

Dec. 31, 2022

Dollars in millions

Institution Name	Total Assets	Gross Loan Volume	Nonaccrual Loans	Allowance for Loan Losses	Cash and Investments	Capital Stock[1]	Total Capital	Net Income
FCS banks								
AgFirst	$42,073	$31,469	$37	($26)	$10,172	$301	$1,452	$412
AgriBank	$156,463	$133,471	$42	($32)	$21,451	$4,665	$7,186	$791
CoBank	$188,843	$140,088	$145	($681)	$46,394	$4,000	$10,225	$1,449
Texas	$35,990	$28,265	$30	($16)	$7,099	$545	$1,623	$270
Total[2]	$422,919	$332,941	$254	($755)	$85,116	$9,176	$20,164	$2,766
FCS associations								
AgFirst	$28,810	$27,892	$138	($155)	$30	$183	$5,641	$622
AgriBank	$147,611	$137,400	$371	($289)	$2,927	$163	$25,971	$2,561
CoBank	$84,054	$78,166	$393	($307)	$1,782	$54	$14,744	$1,768
Texas	$28,715	$27,662	$110	($70)	$133	$72	$4,227	$603
Total[2]	$289,243	$271,104	$1,012	($821)	$4,887	$502	$50,622	$5,619
Total FCS[2]	$477,063	$373,266	$1,266	($1,576)	$89,896	$2,134	$68,601	$7,268

Sources: FCA's Consolidated Reporting System as of Dec. 31, 2022, and the 2022 Annual Information Statement of the Federal Farm Credit Banks Funding Corporation.

1 Includes capital stock and participation certificates, excludes mandatorily redeemable preferred stock and protected borrower capital.

2 Cannot be derived by adding the categories above because of intradistrict and intra-System eliminations used in Reports to Investors. Also, the total FCS numbers exclude mandatorily redeemable preferred stock and protected borrower capital, but they do include restricted capital from the Farm Credit Insurance Fund.

or 9.4%, from 2021. Gross loan balances increased 8.5%, or $29.3 billion, to $373.3 billion. (See figure 6 and table 3.)

For 2022, portfolio growth was concentrated in agricultural real estate mortgages, rural infrastructure, and processing and marketing operations.

Real estate mortgages, the largest segment of the loan portfolio at just over 46%, increased by $8.3 billion, or 5.0%, from a year ago. Agribusiness lending increased by $6.9 billion, or 11.3%, primarily in the processing and marketing segment. Rural infrastructure volume grew by $7.2 billion, or 19.5%, mainly in the power and communications sectors.

Several factors contributed to the demand for real estate mortgage loans, including strong commodity prices, robust exports, and demand for fixed-rate financing in anticipation of rising interest rates. For production and agribusiness lending, increased loan demand reflected greater seasonal financing needs and earlier-than-normal purchases of production inputs because of rising input costs.

With respect to portfolio commodity concentrations, loan volume increased across most major commodity categories in 2022. At year-end, the cash grains and cattle sectors were the System's two largest commodity categories, equaling almost 25% of the total loan portfolio. For the year, loan volume for these sectors increased 2.7% and 6.7%, respectively.

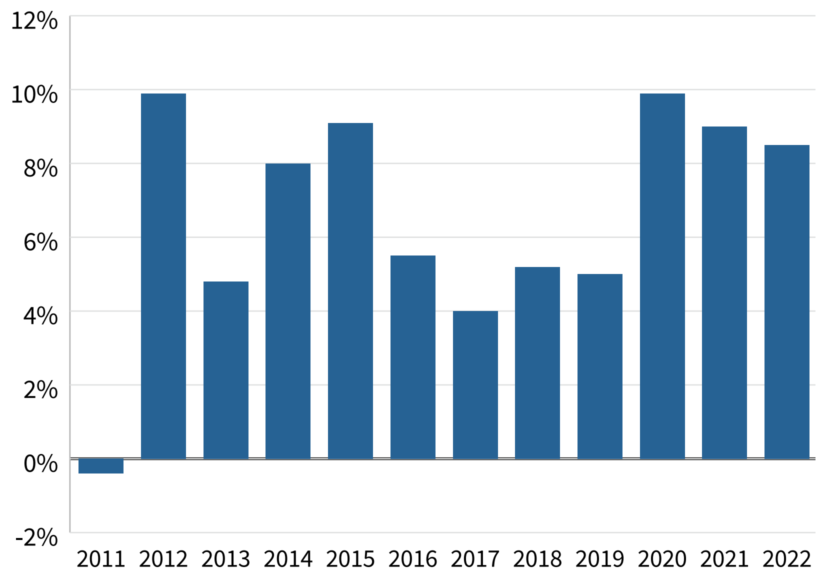
Asset quality

Despite the challenges of market volatility, rising input costs, and drought in the West, the System's portfolio performed well, and loan quality was strong.

As of Dec. 31, 2022, nonperforming loans totaled $1.73 billion, or 0.46% of gross loans outstanding. This is up slightly from $1.54 billion, or 0.45%, at year-end 2021 (See figure 7.) Loan delinquencies

Figure 6

Annual growth rate of FCS loans outstanding, 2011–2022

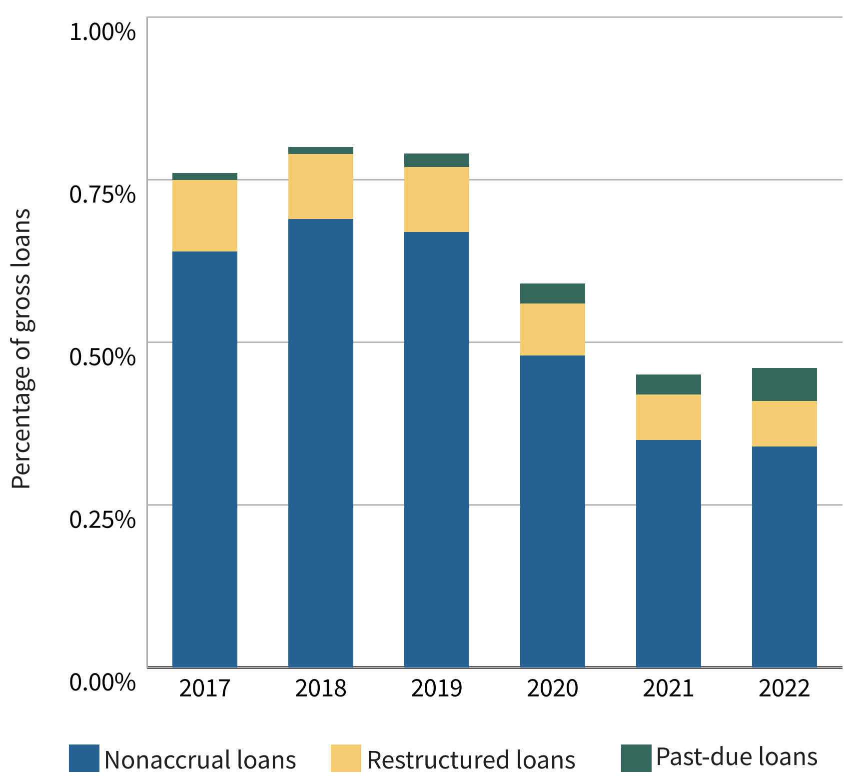


Source: Annual Information Statements of the Federal Farm Credit Banks Funding Corporation.

Figure 7

FCS nonperforming loans, 2017–2022

As of Dec. 31



Source: Annual Information Statements of the Federal Farm Credit Banks Funding Corporation.

Table 3

FCS gross loans outstanding

As of Dec. 31

Dollars in millions

Loan Type	2022	2021	2020	2019	2018	Percent Change from 2018	Percent Change from 2021
Agricultural real estate mortgage loans	$172,806	$164,535	$147,623	$132,215	$126,310	36.8%	5.0%
Agricultural production and intermediate-term loans	$66,427	62,620	57,973	56,095	53,447	24.3%	6.1%
Agribusiness loans to the following:							
Processing and marketing operations	$41,973	34,308	31,939	28,205	24,832	69.0%	22.3%
Cooperatives	$19,525	21,286	20,020	17,776	17,589	11.0%	-8.3%
Farm-related businesses	$5,998	5,053	4,453	4,068	3,692	62.5%	18.7%
Rural infrastructure loans by type of utility:							
Power	$27,880	23,621	22,066	19,432	20,100	38.7%	18.0%
Communication	$12,453	10,272	9,708	7,847	6,755	84.4%	21.2%
Water/wastewater	$3,882	3,122	2,703	2,390	2,305	68.4%	24.3%
Rural residential real estate	$7,043	6,883	6,928	7,405	7,308	-3.6%	2.3%
Agricultural export finance	$10,071	7,079	6,873	6,712	6,581	53.0%	42.3%
Lease receivables	$4,146	4,165	4,345	3,902	3,630	14.2%	-0.5%
Loans to other financing institutions	$1,062	985	859	917	829	28.1%	7.8%
Total	$373,266	$343,929	$315,490	$286,964	$273,378	36.5%	8.5%

Source: Annual Information Statements of the Federal Farm Credit Banks Funding Corporation.

(accruing loans that are 30 days or more past due) remained largely unchanged at 0.29% of total accruing loans compared with 0.27% at year-end 2021. In total, 96.8% of System loans were classified as acceptable, up from 95.7% at year-end 2021.

Provisions for loan losses remained low at $40 million in 2022. The allowance for loan losses decreased to $1.58 billion, or 0.42% of loans outstanding, down from $1.63 billion, or 0.47% of loans outstanding, at year-end 2021. Net loan charge-offs increased slightly to $38 million in 2022 from $19 million in 2021, but the overall level remained very low.

Capital

System capital levels remained sound in 2022. At Dec. 31, total capital equaled $68.6 billion, compared with $69.5 billion at year-end 2021. (Please note that these numbers include restricted capital, which amounted to $6.7 billion at year-end 2022. Restricted capital is the amount held in the Farm Credit Insurance Fund.) At year-end, the System's capital-to-assets ratio was 14.4%, compared with 15.9% a year ago.

The most significant reason for the decrease in the capital-to-assets ratio was the increase in accumulated other comprehensive loss. This increase stemmed mainly from unrealized losses caused by higher interest rates on the fair value of existing fixed-rate investment securities. Held primarily for liquidity purposes, these investments are composed of securities issued by the U.S. government or its agencies. We expect these securities to be held to maturity, in which case no losses would be realized.

As shown in figure 8, retained earnings are the most significant component of System capital, equaling 83.5% of total capital at year-end 2022, up from 79.0% a year ago. FCA regulations establish the minimum capital levels that each FCS bank and association must achieve and maintain. As of Dec. 31, 2022, capital levels at all System banks and associations were above the regulatory minimum capital requirements.

Funding and liquidity

The System funds loans and investments primarily with consolidated Systemwide debt, along with a substantial amount of equity capital. The Funding Corporation, the fiscal agent for System banks, sells debt securities daily, such as discount notes, bonds, and designated bonds, on behalf of the System. This process allows funds to flow efficiently from worldwide capital market investors to agriculture and rural America, thereby providing rural communities with ready access to global capital.

During 2022, global capital markets saw the COVID-19 pandemic wane, but its impact and the actions to counter its impact unleashed the highest level of inflation experienced in 40 years. To quell this high inflation, the Federal Reserve, along with most other central banks, took aggressive measures to reverse accommodative monetary policies that had been instituted during the COVID-19 pandemic.

As a result of these measures, global interest rates catapulted from historically low levels to significantly higher levels. Despite this volatile environment, the System was able to maintain reliable access to the debt capital markets. However, interest rates on its debt securities moved markedly higher, and the issuance of some types of debt instruments required substantial premiums. Investors continued to favor the System's debt offerings for a variety of reasons:

- The System is a government-sponsored enterprise (GSE), and certain regulatory requirements promote investment in GSE debt.

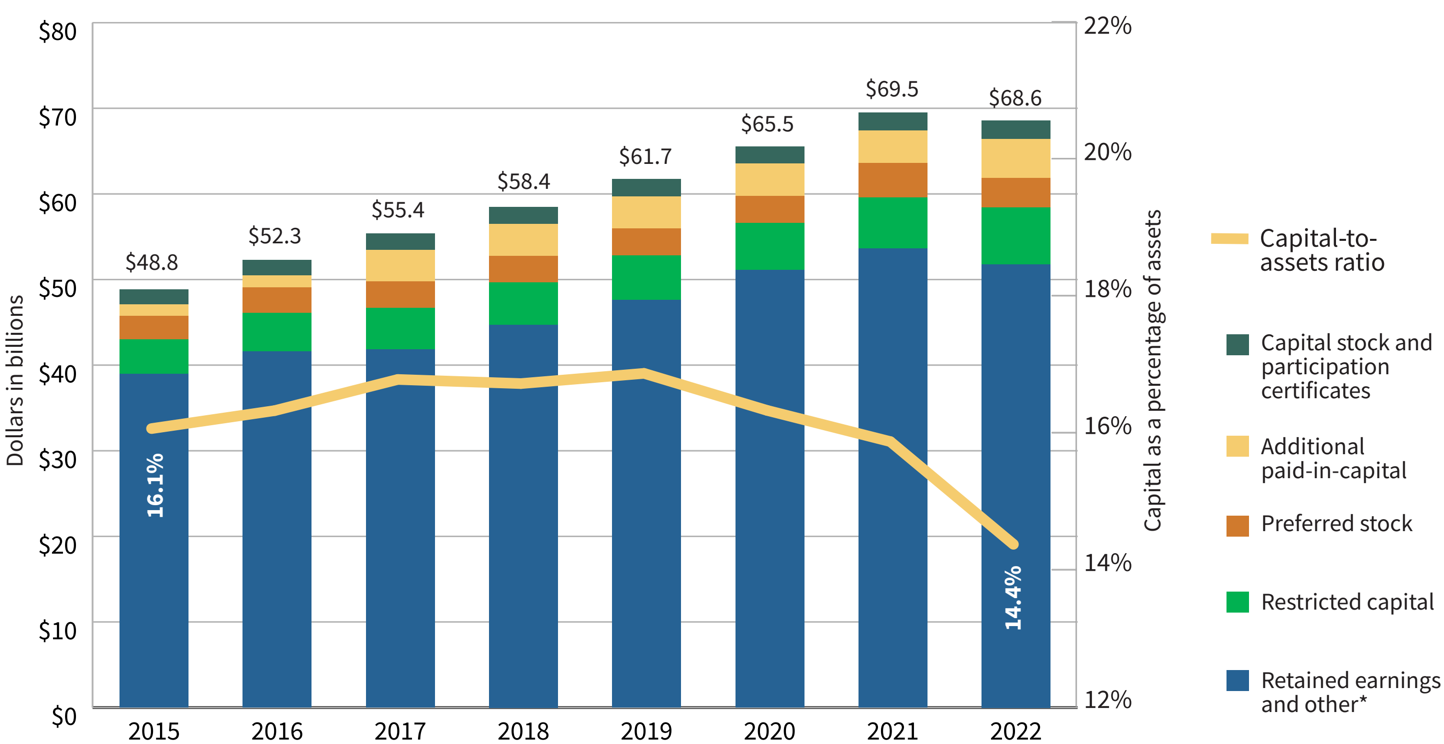
- The System's financial performance continued to be strong.
- The System had significant market share, accounting for nearly 20.5% of GSE debt outstanding at year-end 2022.

Risk premiums for pricing on System debt securities remained favorable during most of 2022, particularly for maturities under five years. However, continuing market volatility caused risk premiums demanded by investors to widen significantly at times, particularly for callable and longer-term debt securities. The primary causes of this widening were the significant rise in inflation and the aggressive actions by the Federal Reserve and other central banks to curtail inflation by sharply increasing interest rates and reducing the assets held on their balance sheets.

At year-end 2022, Systemwide debt outstanding was $390.0 billion, representing a 10.5% increase from the preceding year-end. Several factors contributed to the $37.2 billion increase in Systemwide debt outstanding. Gross loans increased $29.3 billion in 2022, while the System's combined investments, federal funds, and cash balances increased by $9.1 billion.

The amount of outstanding debt on which the System exercised its call options continued its precipitous decrease in 2022 as the Federal Reserve rapidly increased short-term interest rates throughout the year. The target federal funds range increased from 0.0% to 0.25% at the start

Figure 8
FCS capital, 2015–2022
As of Dec. 31



Source: Annual Information Statements of the Federal Farm Credit Banks Funding Corporation.

Note: Retained earnings include accumulated other comprehensive income or loss.

of 2022 to 4.25% to 4.5% by year end. The Federal Reserve also began to reverse monetary policy actions, which had helped reduce longer-term interest rates as well. The System exercised calls on only $2.3 billion in 2022, compared with $35.6 billion during 2021, and a record $115.2 billion in 2020.

Favorable investor sentiment continued to provide the System with access to a wide range of debt maturities in 2022 but at increased interest costs due in large part to the Federal Reserve actions described above. The weighted average of remaining maturities decreased slightly to 3.1 years at the end of 2022 from 3.2 years at the end of 2021. Meanwhile, the weighted-average interest rates for insured debt increased significantly, from 0.80% as of Dec. 31, 2021, to 2.78% as of Dec. 31, 2022.

The System had $3.416 billion in outstanding preferred stock at the end of 2022, a decrease of $577 million from the previous year-end. As of the end of 2022, outstanding subordinated debt stood at $398 million, unchanged from year-end 2021. All preferred stock and subordinated debt issuances are the sole obligations of their respective issuing institutions.

To participate in the issuance of an FCS debt security, a System bank must maintain—free from any lien or other pledge—specified eligible assets (available collateral) that are at least equal in value to the total amount of its outstanding debt securities. Securities subject to the available collateral requirements include Systemwide debt securities for which the bank is primarily liable, investment bonds, and other debt securities that the bank may have issued individually, such as limited life (term) preferred stock and subordinated debt.

Furthermore, our regulations require each FCS bank to maintain a tier 1 leverage ratio (primarily unallocated retained earnings, certain common cooperative equities, and noncumulative perpetual preferred stock, divided by total assets) of not less than 4%. FCA regulations also provide for a tier 1 leverage ratio buffer of an additional 1%. Certain restrictions apply if the buffer does not exceed 1%. Throughout 2022, all System banks maintained their tier 1 leverage ratios and their leverage buffer ratios above the required minimums, with 5.15% being the lowest for any individual bank as of Dec. 31, 2022.

All System banks have kept their days of liquidity, primarily intended as a secondary source of funding, well above the required minimum levels. The lowest liquidity levels at any individual bank as of Dec. 31, 2022, were as follows:

- 25 days (15 days regulatory minimum) of level 1 assets
- 73 days (30 days regulatory minimum) of level 1 and 2 assets
- 129 days (90 days regulatory minimum) of level 1, 2, and 3 assets
- 159 days overall (including the supplemental liquidity buffer)

In addition to the protections provided by the joint and several liability provisions, the Funding Corporation and the System banks have entered into the following voluntary agreements:

- The Amended and Restated Market Access Agreement, which establishes certain financial thresholds and provides the Funding Corporation with operational oversight and control over the System banks' participation in Systemwide debt obligations.
- The Amended and Restated Contractual Interbank Performance Agreement, which is tied to the Market Access Agreement and establishes certain measures that monitor the financial

FCA regulations establish the minimum capital levels that each FCS bank and association must achieve and maintain.

condition and performance of the institutions in each FCS bank's district. For all of 2022, all Farm Credit System banks-maintained scores above the benchmarks in the Contractual Interbank Performance Agreement.

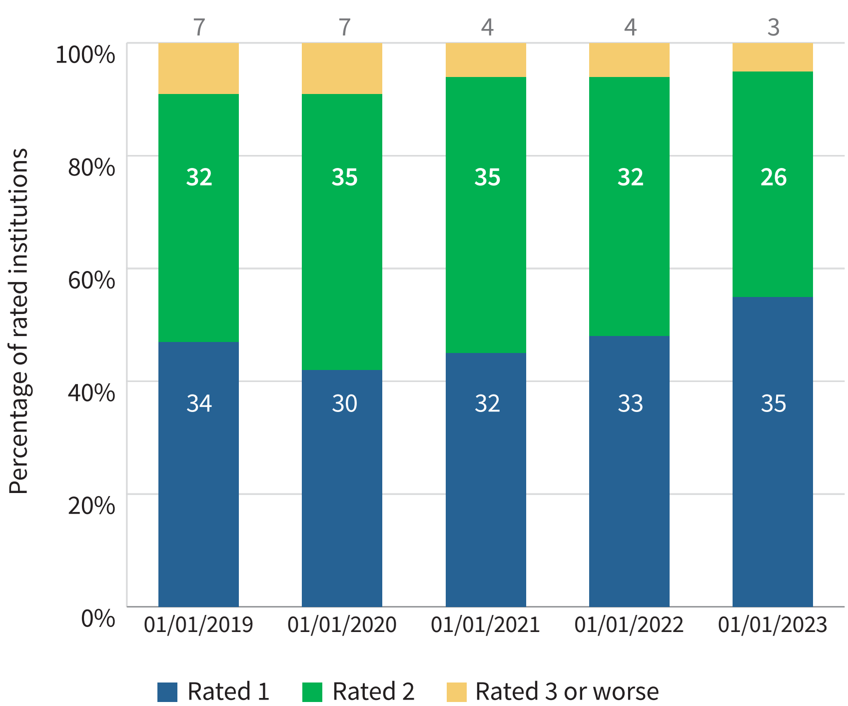
Ratings

FCA uses the Financial Institution Rating System (FIRS) to assess the safety and soundness of each FCS institution. Similar to the systems used by other federal banking regulators, FIRS is a framework of component and composite ratings to help FCA examiners evaluate significant financial, asset quality, and management factors. FIRS ratings range from 1 for a sound institution to 5 for an institution that is likely to fail.

As figure 9 shows, the financial condition and performance of the FCS remains strong. The System's strength reduces the risk to investors in FCS debt, to the Farm Credit System Insurance Corporation, and to FCS institution stockholders. As of Jan. 1, 2023, 61 FCS institutions were rated 1 or 2 (95% of all institutions) and 3 institutions were rated 3 or worse (5%). The institutions rated 3 or worse represented just over 1.0% of the System's total assets.

Figure 9

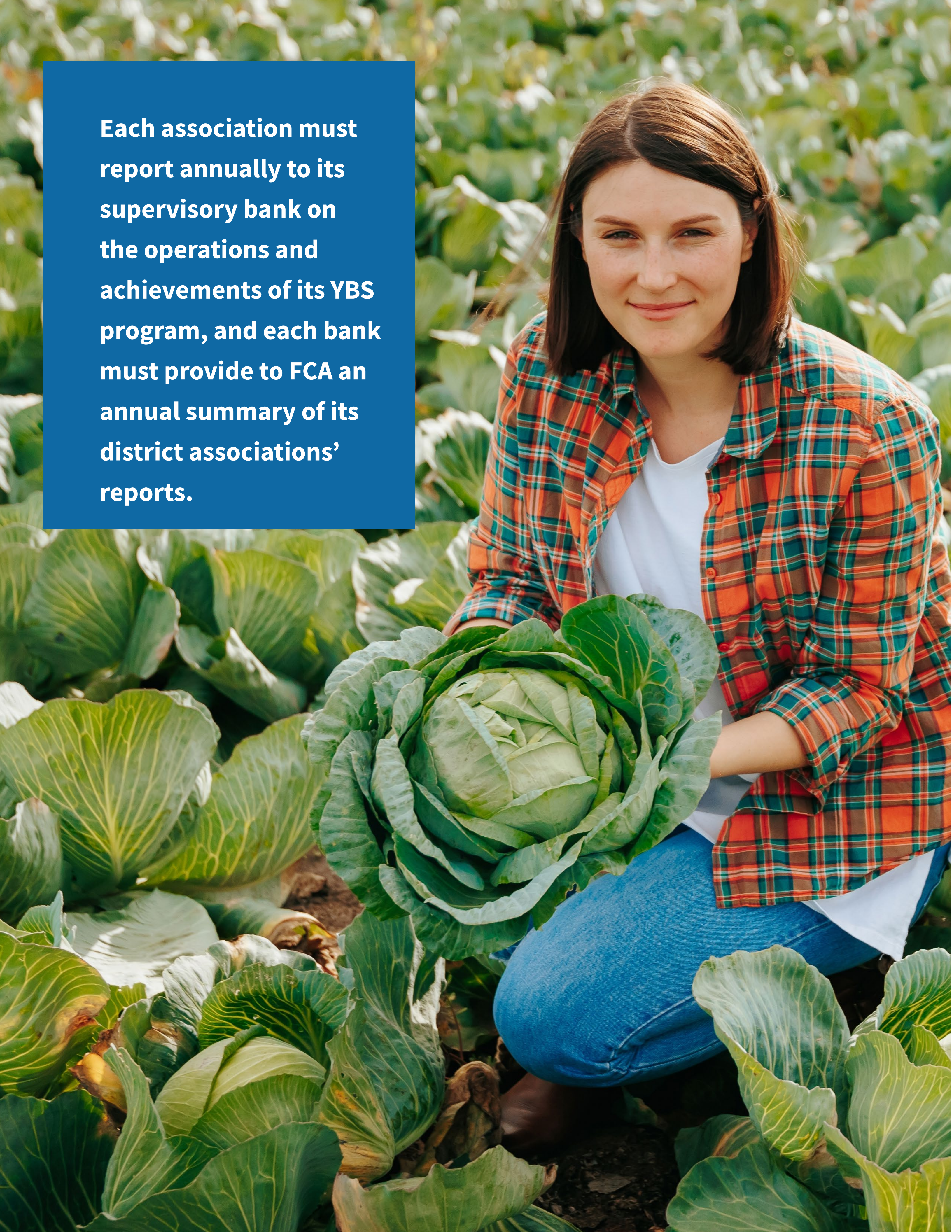
Financial Institution Rating System (FIRS) composite ratings for the FCS, 2019–2023



Source: FCA's FIRS ratings database.

Note: Figure 9 reflects ratings for only actively reporting Farm Credit System banks and associations. Also, the numbers shown on the bars reflect the total number of institutions with a given rating; please refer to the y-axis to determine the percentage of institutions receiving a given rating.

Each association must report annually to its supervisory bank on the operations and achievements of its YBS program, and each bank must provide to FCA an annual summary of its district associations' reports.



Serving young, beginning, and small farmers and ranchers

FCA supports the Farm Credit System's mission to serve young, beginning, and small (YBS) farmers, ranchers, and producers and harvesters of aquatic products. We define young farmers as those who are 35 years old or younger, beginning farmers as those who have been farming for 10 years or less, and small farmers as those with less than $250,000 in annual sales.

The System's YBS mission is outlined in the Farm Credit Act, and we have adopted regulations to implement the YBS provisions of the act. The Farm Credit Act and FCA regulations stipulate that each FCS bank must have written policies that direct each of the associations it supervises to have the following:

- A program for furnishing sound and constructive credit and financially related services to YBS farmers
- A mission statement describing the program's objectives and specific means to achieve the objectives
- Annual quantitative targets for credit to YBS farmers
- Outreach efforts and annual qualitative goals for offering credit and related services that meet the needs of YBS farmers

An association's board oversight and reporting are key parts of every YBS program. Each association must report annually to its supervisory bank on the operations and achievements of its YBS program, and each bank must provide to FCA an annual summary of its district associations' reports. Each association also must establish an internal controls program to ensure that it provides credit in a safe and sound manner.

In addition, FCA regulations require association business plans to include a marketing plan and strategies with special emphasis on diversity and inclusion within each market segment. Operational and strategic business plans must include the goals and targets for the association's YBS lending. System associations must also coordinate with other government and private sources of credit in implementing their YBS programs. FCA's oversight and examination activities monitor each institution's assessment of its performance and market penetration in the YBS area.

We continue to work with stakeholders to further improve financing opportunities for YBS farmers and ranchers.

Results

The following summarizes the lending information that System institutions provided for their YBS programs. (See tables 4A and 4B.)

In 2022, the System made a total of 313,439 new loans, totaling $134.5 billion. The total number of outstanding loans at year-end 2022 was 957,161, amounting to $383.3 billion.

Young: The System reported making 56,100 new loans to young farmers in 2022, and the volume of these loans amounted to $13.1 billion. New loans made to young farmers in 2022 represented 17.9% of all loans the System made during the year and 9.7% of the dollar volume of loans made. At the end of 2022, the System reported 188,756 loans outstanding to young farmers, totaling $39.3 billion.

Beginning: The System reported making 78,742 new loans to beginning farmers in 2022, and the volume of these loans amounted to $21.5 billion. New loans made to beginning farmers in 2022 represented 25.1% of all System loans made during the year and 16.0% of the dollar volume of loans made. At the end of 2022, the System reported 305,742 loans outstanding to beginning farmers, totaling $70.9 billion.

Small: System institutions reported making 129,288 new loans to small farmers in 2022, totaling $19.1 billion. New loans made to small farmers in 2022 represented 41.2% of all System loans made during the year and 14.2% of the dollar volume of loans made. At the end of 2022, the System reported 473,549 loans outstanding to small farmers, totaling $70.3 billion.

Please note: Because the YBS mission is focused on each borrower group separately, data are reported separately for each of the three YBS categories. Since some loans

Table 4A

YBS loans made during 2022

YBS Category	Number of Loans	Percentage of Total Number of System Loans	Dollar Volume of Loans in Millions	Percentage of Total Volume of System Loans	Average Loan Size
Young	56,100	17.9%	$13,085	9.7%	$233,248
Beginning	78,742	25.1%	$21,532	16.0%	$273,451
Small	129,288	41.2%	$19,105	14.2%	$147,775

Table 4B

YBS loans outstanding as of Dec. 31, 2022

YBS Category	Number of Loans	Percentage of Total Number of System Loans	Dollar Volume of Loans in Millions	Percentage of Total Volume of System Loans	Average Loan Size
Young	188,756	19.7%	$39,338	10.3%	$208,407
Beginning	305,742	31.9%	$70,857	18.5%	$231,753
Small	473,549	49.5%	$70,322	18.3%	$148,500

Sources: Annual Young, Beginning, and Small Farmer Reports submitted by each System lender through the FCS banks.

Note: The YBS totals listed in tables 4A and 4B include loans, advancements, commitments, and participation interests to farmers, ranchers, and aquatic producers. The totals exclude rural home loans made under FCA regulation 613.3030, loans to cooperatives, and the activities of the Farm Credit Leasing Services Corporation.

fit more than one category, adding the loans across categories does not produce an accurate measure of the System's YBS lending.

New loans made in 2022 by dollar volume and number of loans

From Dec. 31, 2021, to Dec. 31, 2022, the System's total new loan dollar volume decreased by 1.7%. New loan dollar volume to young farmers decreased by 12.5%, to beginning farmers by 17.9%, and to small farmers by 25.3%. (See table 5.)[3]

The number of total System loans made during the year decreased by 17.2%. The number of loans to young farmers decreased by 17.1%, to beginning farmers by 18.9%, and to small farmers by 22.9%.

In 2022, several key factors led to reduced System lending:

- Rising interest rates and fewer refinanced loans

3 Please note that some System institutions revised their totals for loan numbers and dollar volume after FCA's 2021 annual report was published. This revision was part of the normal course of business adjustments to their call report data. As a result, the System totals reported for 2021 changed slightly from the totals reported in last year's annual report, and one should not calculate year-over-year increases on the basis of totals reported in last year's annual report.

Table 5

Change in new YBS lending from 2021 to 2022

YBS Category	Dollar Volume	Loan Numbers
Young	-12.5%	-17.1%
Beginning	-17.9%	-18.9%
Small	-25.3%	-22.9%

- Changing economic conditions and less demand for a rural lifestyle
- End of the Paycheck Protection Program

Although the numbers fell dramatically from the previous year, they are fairly consistent with pre-pandemic trends. The numbers were significantly elevated during the pandemic.

Outstanding loans by dollar volume and number of loans

Total dollar volume outstanding increased for both total FCS lending and YBS lending. Total System loan dollar volume outstanding increased by 9.4%. Loan dollar volume outstanding to young farmers increased by 6.3%, to beginning farmers by 9.6%, and to small farmers by 5.3%. The growth rate of outstanding loans was lower in 2022 than it was in both 2020 and 2021. (See table 6.)

While the total number of loans outstanding for the System as a whole decreased by 0.6%, the number of outstanding loans to young and beginning farmers increased modestly—by 1.3% and 2.9%, respectively. However, the number of small farmer loans outstanding contracted by 1.0%.

Ratio of new and outstanding YBS loans to total System loans

The ratio of new YBS loans (by number) to total new System loans was 17.9% for young farmers, 25.1% for beginning farmers, and 41.2% for small farmers. The ratio of outstanding YBS loans (by number) to total outstanding System loans was 19.7% for young farmers, 31.9% for beginning farmers, and 49.5% for small farmers. (See figures 10A, 10B, and 10C). Compared with 2021, all the ratios remained relatively stable, with some mix in direction.

Table 6
Change in outstanding YBS lending from 2021 to 2022

YBS Category	Dollar Volume	Loan Numbers
Young	6.3%	1.3%
Beginning	9.6%	2.9%
Small	5.3%	-1.0%

Figure 10A
Young farmers and ranchers

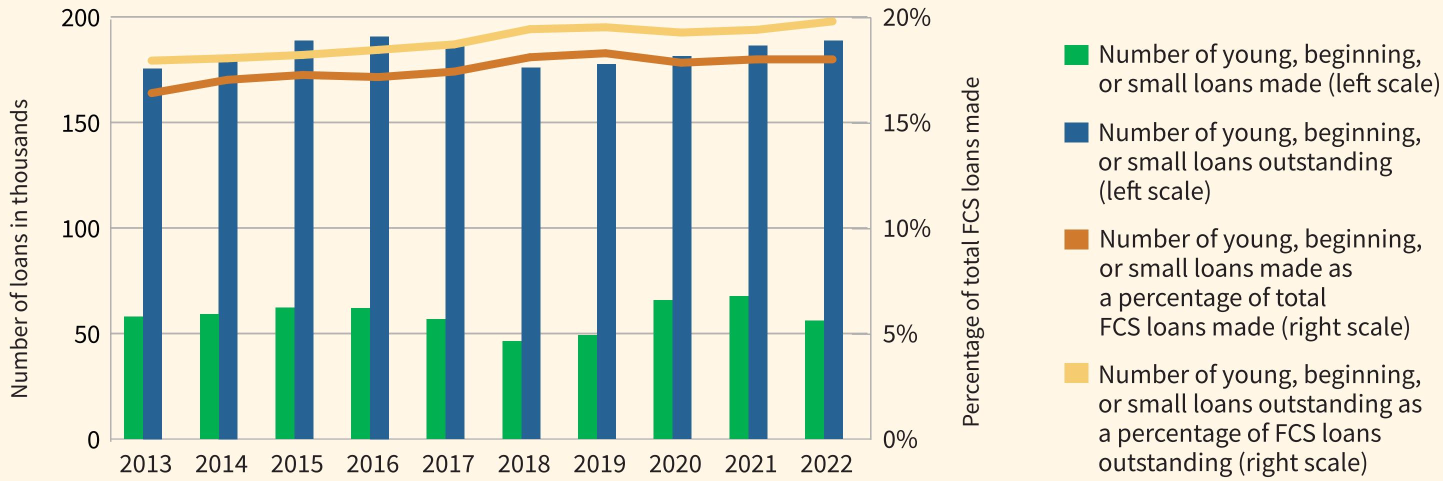


Figure 10B
Beginning farmers and ranchers

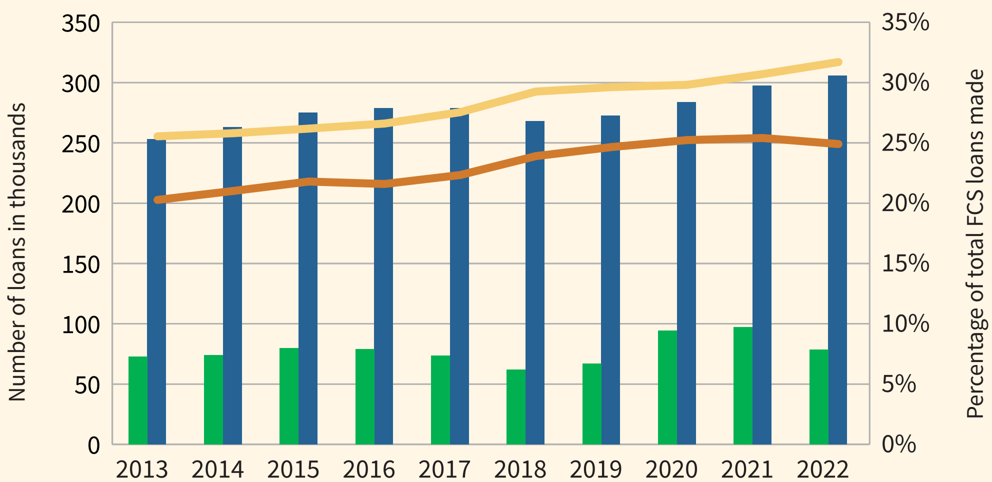
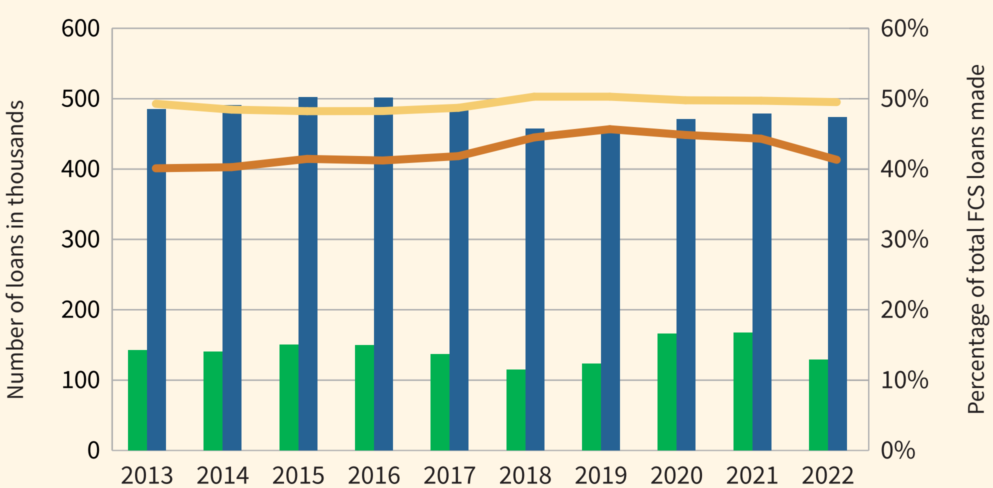
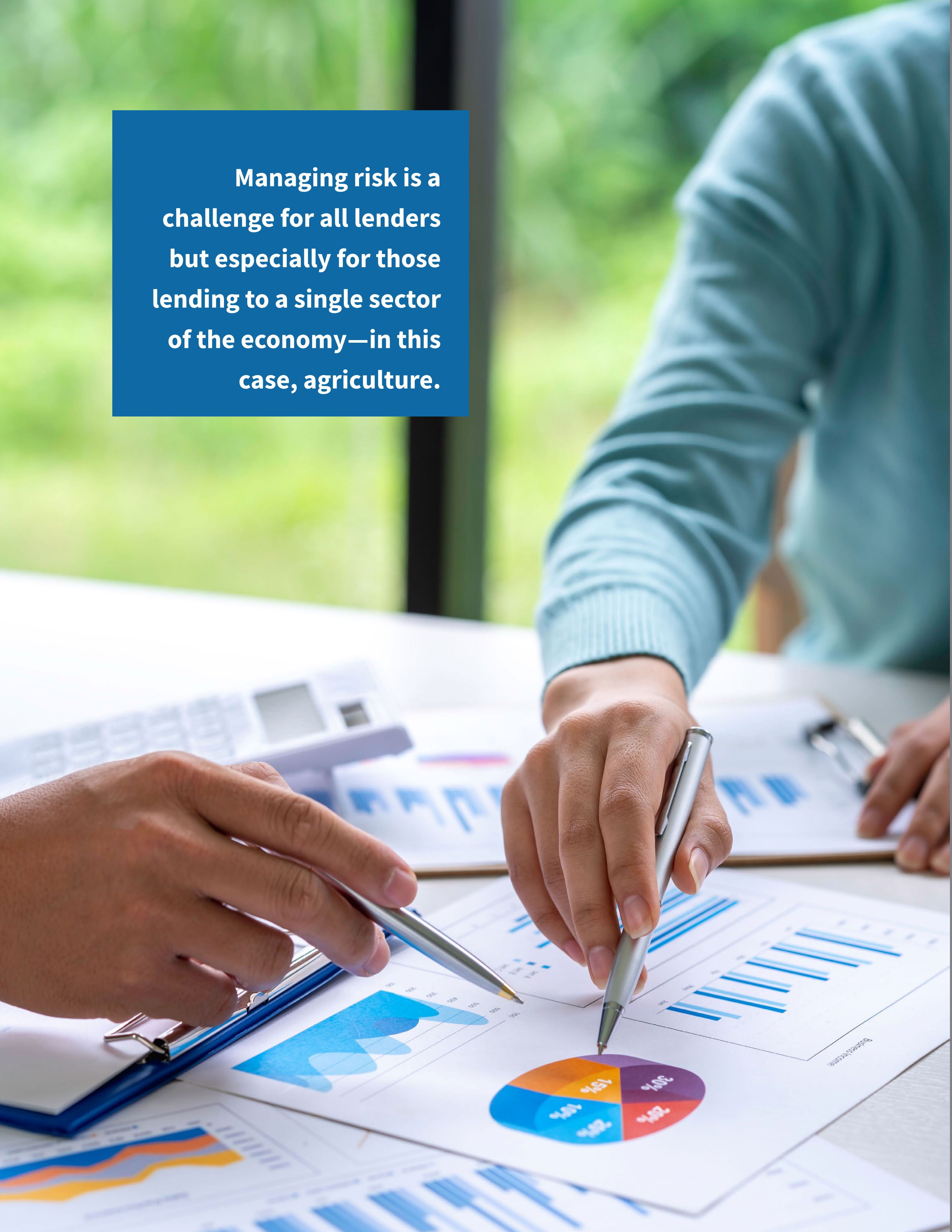


Figure 10C
Small farmers and ranchers





Managing risk is a challenge for all lenders but especially for those lending to a single sector of the economy—in this case, agriculture.

Examining and regulating the banks and associations

Examination

Managing risk is a challenge for all lenders but especially for those lending to a single sector of the economy—in this case, agriculture. To manage this risk, Farm Credit System institutions must have both sufficient capital and effective risk management processes. As the independent regulator of the FCS, the Farm Credit Administration examines and supervises System institutions. Our examiners determine how issues affecting agriculture and the economy create risk for System institutions.

Our examiners also evaluate whether each institution is fulfilling its chartered mission to provide credit and financially related services to eligible, creditworthy customers. They do so in a couple of ways. They determine whether each institution is complying with mission-related laws and regulations. They also evaluate the System's efforts to implement programs for serving the credit needs of eligible agricultural producers and cooperatives, including young, beginning, and small (YBS) farmers and ranchers.

Our examiners review System institutions' annual reports and business plans and encourage institutions to include a discussion of how they are meeting their mission. Ongoing oversight and examination efforts continue to address diversity and inclusion, as well as YBS data integrity and compliance with YBS regulations.

As required by the Farm Credit Act, FCA examines each institution at least once every 18 months. In between these statutory examinations, we also monitor and examine institutions on an ongoing basis. We customize our examination activities to each institution's specific risks. To monitor and address FCS risk as effectively and efficiently as possible, we assign highest priority to institutions, or the parts of an institution's operations, that present the greatest risk.

We require institutions to develop and maintain programs, policies, procedures, and controls to identify and manage risk. For example, our regulations require FCS institutions to have effective loan underwriting and loan administration processes. We also have regulations requiring FCS institutions to maintain strong asset-liability management capabilities.

National oversight program

In addition to monitoring risks that are unique to a single institution, we also monitor risks that affect the System as a whole. Each year we develop a national oversight plan that takes certain systemic risks into account. In fiscal year 2023, we have the following focus areas:

Risk management practices in an uncertain environment

System institutions face much uncertainty in the current business environment. In addition to macroeconomic headwinds, institutions face operational challenges created by the rapid changes in information technology. Many external variables are contributing to a volatile operating environment. Adverse weather conditions, the potential for reduced government support, extreme volatility in commodity markets, and significant input cost increases have affected and may continue to affect producers, as well as consumers. These conditions may have a long-term effect on certain commodities, industries, and operations, and they have magnified the importance of strong risk management practices.

In view of these risks, our FY 2023 examination program emphasizes the need for System institutions to have adequate strategic business plans that focus on capital and portfolio planning. Our examiners review each institution's business plan to ensure that the institution is assessing key uncertainties in its operating environment when evaluating its capital needs and capitalization goals and strategies. Similarly, we evaluate whether the institution's stress-testing scenarios are sufficient to capture the impacts of the macroeconomic headwinds on borrower financial performance and portfolio quality. We also review management's guidance to staff for loan underwriting and credit administration to ensure that the guidance adequately addresses these risks.

Also, our examiners continue to monitor how institutions are managing risk arising from the evolving IT operations landscape. IT operational risks increase as System institutions respond to the changing and increasingly complex business environment. Cyber risks and threats continue to challenge organizations as the financial sector becomes more digitized and remote work becomes a permanent part of many institutions' business models. Moreover, the cost of replacing outdated and antiquated legacy financial systems can sometimes put a strain on resources.

Phaseout of the London Interbank Offered Rate (LIBOR)

Over the past 18 months, we issued three informational memorandums that identify action steps and time frames to guide the efforts of System institutions to transition away from LIBOR. We continue to examine the extent to which institutions adhere to the sound practices described in those informational memorandums. We want to make sure that the LIBOR phaseout implementation and resource commitments of System institutions are consistent with the level and complexity of their remaining LIBOR exposures.

Implementation of current expected credit losses (CECL)

With the implementation of Accounting Standards Classification (ASC) Topic 326 on Jan. 1, 2023, CECL replaced the incurred loss model for estimating allowance needs under generally accepted accounting principles. Allowance levels under CECL continue to incorporate qualitative and quantitative factors in estimating credit losses, but CECL requires FCS institutions to consider a broader range of economic data, including past events, current conditions, and reasonable and supportable forecasts that affect collectability. Our examiners assess whether FCS institutions follow sound business practices in developing and implementing CECL models. For example, we evaluate CECL-related control structures, including internal control over financial reporting. We also evaluate whether System institutions are developing well-documented processes and routinely validating model output.

Programs for young, beginning, and small farmers and ranchers

Supporting YBS farmers, ranchers, and aquatic producers remains of critical importance for the long-term viability of U.S.

agriculture. Our examiners will continue to support the agency's strategic goal for YBS by encouraging the System to support YBS producers. In addition, we will continue both developing a system to rate the YBS programs at System institutions and coordinating with them to improve the usability and consistency of YBS lending and nonlending data.

Standards of conduct

Amended regulations governing standards of conduct for the directors and employees of System institutions became effective on Jan. 1, 2023. The final rule requires each System institution to have or develop a standards of conduct program based on core principles; the purpose of the program is to integrate ethical values into corporate culture. Our examiners are evaluating implementation of the new regulations; their evaluation includes a review of the System's template policy-and-procedure guidance. In addition, our examiners continue to review standards of conduct programs through routine examinations at all institutions.

Small, low-risk associations

Our examiners also continue to explore ways to address the concerns of associations considered low-risk based on size, complexity, financial condition, and governance. We are evaluating various possibilities for enhancing the risk-based application of examination expectations for smaller institutions with low-risk profiles.

Three tiers of supervision

In examining and overseeing System institutions, we use a three-tiered program: normal supervision, special supervision, and enforcement actions. Institutions under normal supervision are performing in a safe and sound manner and are complying with laws and regulations. These institutions can correct weaknesses in the normal course of business.

For those institutions displaying more serious or persistent weaknesses, we shift from normal to special supervision, and our examination oversight increases accordingly. Under special supervision, we give an institution clear and firm guidance to address weaknesses, and we give a time frame for correcting the problems.

If informal supervisory approaches have not been or are not likely to be successful, we use our formal enforcement authorities to ensure that FCS institutions are safe and sound and that they comply with laws and regulations. We may take an enforcement action for several reasons:

- A situation threatens an institution's financial stability.
- An institution has a safety or soundness problem or has violated a law or regulation.
- An institution's board is unable or unwilling to correct problems we have identified.

Our enforcement authorities include the following powers:

- To enter into formal agreements
- To issue cease and desist orders
- To levy civil money penalties
- To suspend or remove officers, directors, and other persons

If we take an enforcement action, the FCS institution must operate under the conditions of the enforcement document and report back to us on progress in addressing the issues identified. The document may require the institution to take corrective actions, such as reducing risk exposures, increasing capital, enhancing earnings, and strengthening risk management. Our examiners closely monitor the institution's

In examining and overseeing System institutions, we use a three-tiered program: normal supervision, special supervision, and enforcement actions.

performance to ensure compliance with the enforcement action.

As of Jan. 1, 2023, no FCS institutions were under an enforcement action.

Borrower rights

We also examine institutions to make sure they are complying with the borrower rights provisions of the Farm Credit Act. These provisions provide certain System borrowers and loan applicants with the following rights:

- To know the current effective rates of interest on their loans by the dates the loans close
- To be informed that they are required to purchase at-risk stock in their FCS institutions
- To receive copies of all the documents they have signed by the time their loans close
- To be informed promptly as to whether their loan applications have been accepted, reduced, or denied
- To be informed of their right to request restructuring for their loans if they cannot make timely payments and their loans become distressed
- To obtain credit committee reviews of denials or reductions of loan requests and denials of restructuring requests
- To have the right of first refusal when their FCS institutions decide to sell agricultural properties their institutions have acquired from them
- To receive cooperation from their FCS institutions if they seek mediation

We also receive and review complaints from borrowers and loan applicants who believe their rights have been denied. If we find violations of law or regulations, we have several options to bring about corrective action. The number of borrower complaints decreased from 32 in 2021 to 19 in 2022. In June 2021, we added an online complaint form to our website to provide an additional means by which borrowers and loan applicants may submit complaints regarding System institutions.

Regulation

As the regulator of the Farm Credit System, we issue regulations, policy statements, and other guidance to ensure that the System, including its banks, associations, Farmer Mac, and other related entities, complies with the law, operates in a safe and sound manner, and efficiently carries out its statutory mission. Our regulatory philosophy is to provide an environment that enables the System to safely and soundly offer high-quality, reasonably priced credit and related services to farmers and ranchers, agricultural cooperatives, rural residents, and other entities on which farming depends.

We strive to develop balanced, well-reasoned regulations whose benefits outweigh their costs. With our regulations, we seek to meet two general objectives. The first is to ensure that the System continues to be a dependable source of credit and related services for agriculture and rural America while also ensuring that System institutions comply with the law and with the principles of safety and soundness. The second is to promote participation by member-borrowers in the management, control, and ownership of their System institutions.

Regulatory activity in 2022

The following describe some of FCA's regulatory efforts in 2022, along with several projects that will remain active in 2023. More information on these topics is available on our website. From the Laws & regulations tab at www.fca.gov, you can read our board policy statements, bookletters, informational memorandums, proposed rules, and any final rules whose effective dates are pending.

Tier 1/tier 2 capital framework guidance—In January 2022, the FCA board issued a revised bookletter to provide updated guidance on the tier 1/tier 2 capital framework that was implemented on Jan. 1, 2017, along with amendments to that capital rule that took effect on Jan. 1, 2022.

Conservators and receivers—In February 2022, the FCA board approved a proposed rule governing FCA's appointment of the Farm Credit System Insurance Corporation as the conservator or receiver to make our regulations consistent with section 5412 of the Agricultural Improvement Act of 2018.

LIBOR transition rule, annual threshold adjustments, and compliance resources—In March 2022, the Office of Examination issued an informational memorandum that discusses regulation updates and resources from the Consumer Financial Protection Bureau (CFPB) and other federal agencies.

Implementation of current expected credit losses methodology—In April 2022, the FCA board approved a final rule that amends certain regulations to address changes in U.S. generally accepted accounting principles.

Young, beginning, and small farmers and ranchers—In May 2022, the FCA board approved a proposed rule to increase the service of the System's direct-lender associations to young, beginning, and small farmers and ranchers and to reinforce the supervisory responsibilities of the funding banks.

Cyber risk management—In June 2022, the FCA board approved a proposed rule that would rescind and revise FCA regulations in 12 CFR Part 609 governing electronic commerce.

Regulatory burden—In July 2022, the FCA board issued a notice of intent and request for comment to solicit input from the public and other interested parties on the appropriateness of FCA's regulatory requirements on the Farm Credit System.

Expected credit losses—In October 2022, the FCA board issued a revised bookletter that provides guidance on FCA's expectations for an institution's processes for recognizing expected credit losses.

Resources from the CFPB and other federal agencies—In October 2022, the Office of Examination issued an informational memorandum that discusses resources from the Consumer Financial Protection Bureau and other federal agencies.

Accounting standards update—In December 2022, the Office of Regulatory Policy issued an informational memorandum that provides updates on troubled debt restructuring.

Loan syndications and assignment markets study—We continued to study loan syndications and assignment markets to determine whether our regulations should be modified to reflect significant changes in the markets.

Corporate activity in 2022

In 2022 and early 2023, we analyzed and approved applications for the following mergers and other corporate activities. We publish information about corporate applications on our website at www.fca.gov.

Mergers

Several mergers occurred between Jan. 1, 2022, and Jan. 1, 2023. Table 7 shows the date of each merger and the district in which the merged institutions are located. In every instance, an agricultural credit association (ACA) in a given bank district merged with another ACA in the same bank district. The production credit association (PCA) and federal land credit association (FLCA) subsidiaries of the merging ACAs also merged.

The total number of associations as of July. 1, 2023, was 59 (58 ACAs and 1 FLCA).

Other corporate activities

- On April 19, 2022, we granted final approval for the voluntary liquidation and loan portfolio sale of Delta Agricultural Credit Association (together with its PCA and FLCA subsidiaries). Delta was affiliated with AgriBank.
- On May 13, 2022, we issued a revised charter for the headquarters relocation of River Valley AgCredit, an AgFirst-affiliated ACA. The charter was effective retroactively to April 1, 2022.

Funding activity in 2022

As the System's regulator, we have several responsibilities pertaining to System funding activities. The Farm Credit Act requires the System to obtain our approval before distributing or selling Systemwide debt.

Because we make it a high priority to respond efficiently to the System's requests for debt issuance approvals, we have a long-standing program, which we monitor on an ongoing basis, that allows the System to issue discount notes. The System may issue these short-term debt securities at any time, but the outstanding balance may not exceed $100 billion.

In addition, we approve most longer-term debt issuances through a monthly "shelf" approval program. For 2022, we approved $188.4 billion in longer-term debt issuances through this program. For more information about the System's funding and liquidity, see pages 23 through 26.

Table 7

Association mergers, Jan 1, 2022, to Jan. 1, 2023

Date of merger	Bank district in which the merger occurred	Institutions merging	Resulting institution
Jan. 1, 2022	CoBank	• Farm Credit East • Yankee Farm Credit	Farm Credit East
Jan. 1, 2022	AgriBank	• AgCountry Farm Credit Services • Farm Credit Services of North Dakota	AgCountry Farm Credit Services
July 1, 2022	AgFirst	• MidAtlantic Farm Credit • AgChoice Farm Credit	Horizon Farm Credit
Nov. 1, 2022	CoBank	• Farm Credit of Western Oklahoma • Farm Credit of Enid	Farm Credit of Western Oklahoma
Jan. 1, 2023	CoBank	• Northwest Farm Credit Services • Farm Credit West	AgWest Farm Credit
Jan. 1, 2023	AgFirst	• AgCarolina Farm Credit • Cape Fear Farm Credit	AgCarolina Farm Credit

Farmer Mac offers greater liquidity and lending capacity to agricultural and rural lenders, including insurance companies, credit unions, commercial banks, other FCS institutions, and investors.

Farmer Mac

Created in 1988, the Federal Agricultural Mortgage Corporation (Farmer Mac) provides a secondary market for agricultural real estate loans, government-guaranteed portions of certain loans, rural housing mortgage loans, and eligible rural utility cooperative loans. It offers greater liquidity and lending capacity to agricultural and rural lenders, including insurance companies, credit unions, commercial banks, other FCS institutions, and investors.

Farmer Mac is owned by its investors—it is not a member-owned cooperative. Investors in voting stock may include commercial banks, insurance companies, other financial organizations, and other FCS institutions. Any investor may own nonvoting stock.

Farmer Mac is a federally chartered instrumentality and an institution of the FCS. However, it has no liability for the debt of any other System institution, and the other System institutions have no liability for Farmer Mac debt.

Farmer Mac has two major lines of business:

- Agricultural Finance, which includes mortgage loans secured by first liens on agricultural real estate, including part-time farms and rural housing, as well as agricultural and rural development loans guaranteed by USDA.
- Rural Infrastructure Finance, which includes loans by lenders organized as cooperatives to finance electrification and telecommunications systems, as well as renewable energy providers and projects, in rural areas.

Through these lines of business, it performs the following activities:

- Purchases eligible loans directly from lenders.
- Provides advances against eligible loans by purchasing obligations secured by those loans or by assets that qualify as eligible agricultural real estate collateral.
- Securitizes assets and often guarantees the resulting securities. (Securities guaranteed by Farmer Mac may be held either by the originator of the underlying assets or by Farmer Mac, or they may be sold to third-party investors.)
- Issues purchase commitments for eligible loans.

Examining and regulating Farmer Mac

FCA regulates Farmer Mac through the Office of Secondary Market Oversight (OSMO), which was established by the Food, Agriculture, Conservation, and Trade Act Amendments of 1991. This office provides for the examination and general supervision of Farmer Mac's safe and sound performance of its powers, functions, and duties.

The statute requires OSMO to be a separate office within our agency and to report directly to the FCA board. The law also stipulates that OSMO's activities must, to the extent practicable, be carried out by individuals who are not responsible for supervising the banks and associations of the FCS.

Through OSMO, we examine Farmer Mac at least annually for capital adequacy, asset quality, management performance, earnings, liquidity, and interest rate sensitivity. We oversee and evaluate Farmer Mac's safety and soundness and its mission achievement. We also supervise and issue regulations governing Farmer Mac's operations.

Financial condition of Farmer Mac

OSMO reviews Farmer Mac's compliance with statutory and regulatory minimum capital requirements and supervises its operations and condition throughout the year. Table 8 summarizes Farmer Mac's condensed balance sheets at the end of each calendar year from 2017 to 2022. From 2021 to 2022, its total assets grew by 8.7%, its total liabilities by 8.9%, and its net worth by 5.6%.

Capital

As of Dec. 31, 2022, Farmer Mac's net worth (that is, equity capital determined using generally accepted accounting principles [GAAP]) was $1,272.0 million, compared with $1,204.4 million a year earlier. Its net worth was 4.7% of its on-balance-sheet assets as of Dec. 31, 2022, compared with 4.8% a year earlier. Net worth, in terms of dollars, went up primarily because of an increase in retained earnings.

When Farmer Mac's off-balance-sheet program assets (essentially its guarantee obligations) are added to its total on-balance-sheet assets, net worth was 4.1% as of Dec. 31, 2022, compared with 4.2% in 2021. Farmer Mac continued to comply with all statutory and regulatory minimum capital requirements.

At year-end 2022, Farmer Mac's core capital (the sum of the par value of

Table 8

Farmer Mac condensed balance sheets

As of Dec. 31

Dollars in millions

It1em	2022	2021	2020	2019	2018	2017
Total assets	$27,333.1	$25,145.5	$24,355.5	$21,709.4	$18,694.3	$17,792.3
Total liabilities	$26,061.2	$23,941.1	$23,363.0	$20,910.1	$17,941.8	$17,084.1
Net worth or equity capital	$1,272.0	$1,204.4	$992.5	$799.3	$752.6	$708.1

Sources: Farmer Mac's Annual Reports on Securities and Exchange Commission Form 10-K.

outstanding common stock, the par value of outstanding preferred stock, paid-in capital, and retained earnings) remained above the statutory minimum requirement. It totaled $1,322.8 million, exceeding the statutory minimum capital requirement of $805.9 million by $516.9 million or 64.1%.

Its regulatory capital (core capital plus allowance for credit losses) exceeded the required amount as determined by the Risk-Based Capital Stress Test. Farmer Mac's regulatory capital totaled $1,340.0 million as of Dec. 31, 2022, exceeding the regulatory risk-based capital requirement of $204.2 million by $1,135.8 million.

Risk exposure on USDA guaranteed loans is very low due to USDA backing. Table 9 offers a historical perspective on capital and capital requirements for 2017 through 2022.

Program activity

Farmer Mac's total program activity increased to $25.8 billion by year-end 2022, up from $23.6 billion a year earlier. (See figure 11.) Farmer Mac experienced steady growth in its Agricultural Finance loan purchases, as well as in the purchase or guarantee of AgVantage securities. These bonds are general obligations of the issuing financial institution that are purchased or guaranteed by Farmer Mac. Each AgVantage security is secured by eligible loans under one of Farmer Mac's programs in an amount at least equal to the outstanding principal amount of the security.

Off-balance-sheet program activity consists of purchase commitments, certain AgVantage securities, and agricultural mortgage-backed securities (AMBS) sold to investors. At the end of December 2022,

Table 9

Farmer Mac capital positions

As of Dec. 31

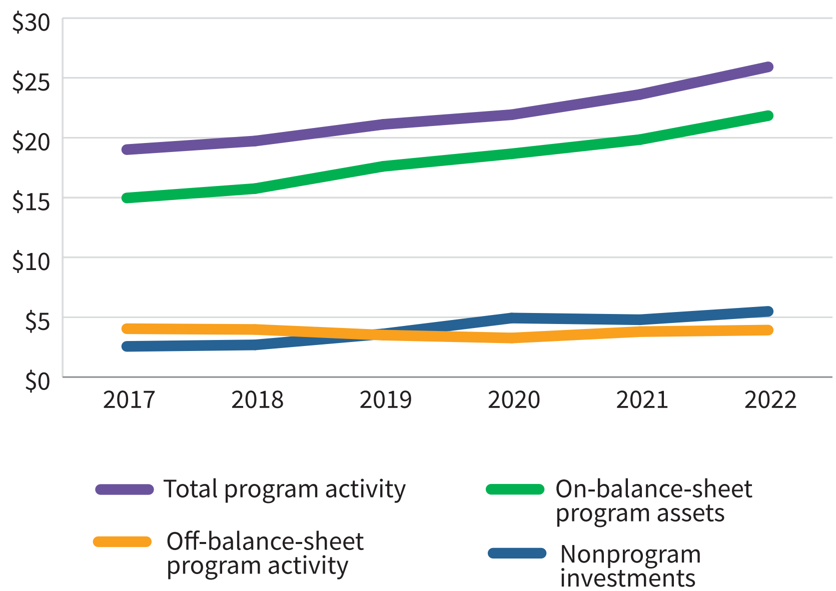
Dollars in millions

Item	2022	2021	2020	2019	2018	2017
GAAP equity	$1,272.0	$1,204.4	$992.5	$799.3	$752.6	$708.1
Core capital	$1,322.8	$1,200.6	$1,006.4	$815.4	$727.6	$657.1
Regulatory capital	$1,340.0	$1,217.0	$1,024.0	$828.1	$736.8	$665.9
Statutory requirement	$805.9	$713.8	$680.9	$618.8	$545.0	$520.3
Regulatory requirement	$204.2	$218.7	$197.4	$122.1	$119.0	$235.4
Surplus core capital over statutory requirement*	$516.9	$486.8	$325.5	$196.7	$182.6	$136.8
Capital margin excess over the minimum	64.1%	68.2%	47.8%	31.8%	33.5%	26.3%

Sources: Farmer Mac's Annual Reports on Securities and Exchange Commission Form 10-K.

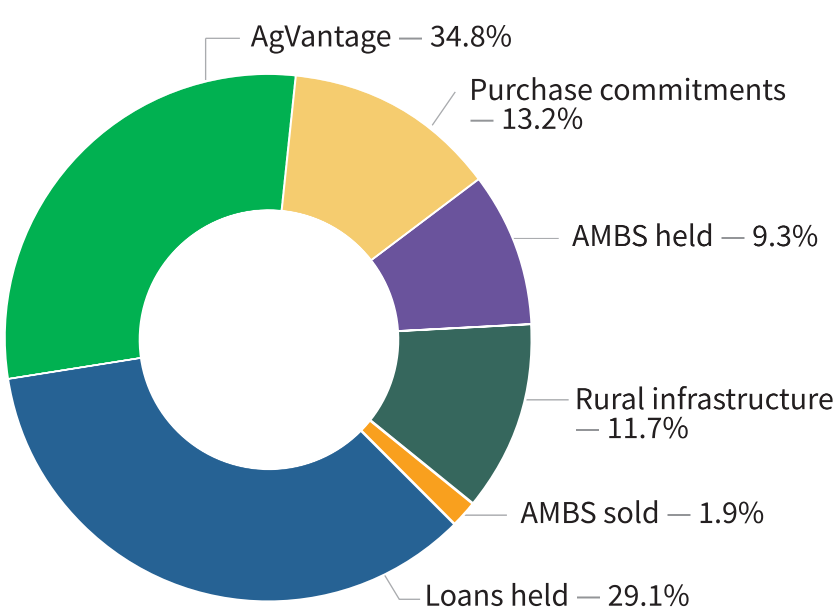
* Farmer Mac is required to hold capital at or above the statutory minimum capital requirement or the amount required by FCA regulations as determined by the Risk-Based Capital Stress Test, whichever is higher.

Figure 11
Farmer Mac program activity and nonprogram investment trends
As of Dec. 31
Dollars in billions



Sources: Farmer Mac's Annual Reports on Securities and Exchange Commission Form 10-K.

Figure 12
Farmer Mac total program activity
As of Dec. 31



Source: Farmer Mac's Annual Reports on Securities and Exchange Commission Form 10-K.
AMBS = agricultural mortgage-backed securities

15.2% of program activity consisted of off-balance-sheet obligations, as compared with 16.1% a year earlier.

Farmer Mac's purchase commitments include arrangements to purchase new volume in lenders' revolving line of credit products and their long-term standby purchase commitments (standbys). The standby product is similar to a guarantee of eligible pools of program loans. Under the standbys, a financial institution pays a fee in return for Farmer Mac's commitment to stand ready (that is, "stand by") to purchase loans at face value even under adverse conditions. As shown in figure 12, purchase commitments represented 13.2% of Farmer Mac's total program activity in 2022.

Asset quality

Figure 13 shows Farmer Mac's allowance for credit losses, its levels of substandard Agricultural Finance (formerly Farm & Ranch) assets, and its 90-day delinquencies relative to outstanding program volume, excluding AgVantage loan volume.

As of Dec. 31, 2022, Farmer Mac's allowance for credit losses totaled $17.2 million, compared with $16.4 million the year before. Of its Agricultural Finance portfolio, $209.4 million was substandard, representing 2.0% of the principal balance of Agricultural Finance loans purchased, guaranteed, or committed to be purchased. This compares with $246.7 million on Dec. 31, 2021. Assets are considered to be substandard when they have a well-defined weakness or weaknesses that, if not corrected, are likely to lead to some losses.

As of Dec. 31, 2022, Farmer Mac's 90-day delinquencies decreased in volume to $43.5 million, or 0.42% of Agricultural Finance loans, from $47.3 million, or 0.48%, as of Dec. 31, 2021.

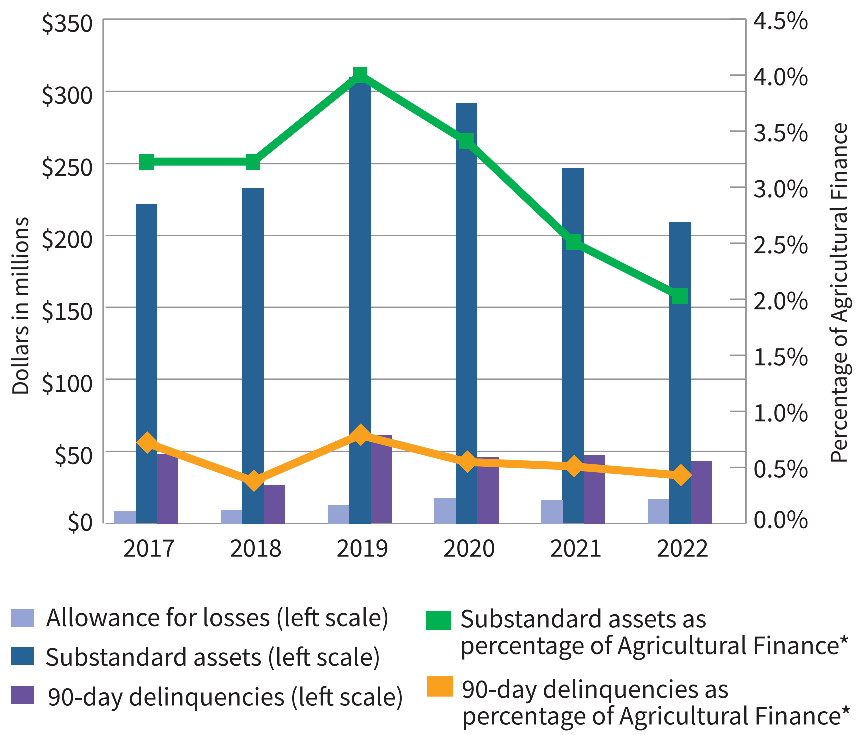
Farmer Mac held $0.64 million in real estate owned at the end of 2022, unchanged from the amount it held at the end of 2021. Farmer Mac reported no delinquencies in its pools of rural utility cooperative loans.

Earnings

Farmer Mac reported net income available to common stockholders of $151.0 million (in accordance with GAAP) for the year ended Dec. 31, 2022, up 40.3% from $107.6 million reported at year-end 2021. Total revenue went up by 14.7%, and total expenses went down by 6.2%. Core earnings for 2022 were $124.3 million, up 9.4% from $113.6 million in 2021. Net interest income, which excludes guarantee fee income, was reported at $269.6 million in 2022, up from $221.6 million in 2021. Before taxes, guarantee fee income was $13.0 million in 2022, compared with $12.7 million in 2021. Table 10 shows a six-year trend for the basic components of income.

Figure 13

Asset quality, allowance, and delinquency trends, 2017–2022



Source: Farmer Mac's Annual Reports on Securities and Exchange Commission Form 10-K.

Note: Before 2021, Farmer Mac referred to its Agricultural Finance line of business as Farm & Ranch.

Table 10

Farmer Mac condensed statements of operations

As of Dec. 31

Dollars in millions

Item	2022	2021	2020	2019	2018	2017
Total revenues	$275.4	$240.2	$206.7	$194.1	$186.1	$175.1
Total expenses	$124.4	$132.6	$117.5	$100.4	$91.2	$103.8
Net income available to common stockholders	$151.0	$107.6	$89.2	$93.7	$94.9	$71.3
Core earnings	$124.3	$113.6	$100.6	$93.7	$84.0	$65.6

Sources: Farmer Mac's Annual Reports on Securities and Exchange Commission Form 10-K.

Figure 14

FCA organizational chart as of October 2023

For an accessible version of this chart, visit www.fca.gov/about/fca-organizational-chart

FCA Board

Vincent G. Logan
Chairman

Jeffery S. Hall
Member

Glen R. Smith
Member

- **Office of the Board Chairman and Chief Executive Officer**
  Vincent G. Logan
  - **Office of the Chief of Staff**
    Maribel Duran
    - **Chief Risk Officer**
      S. Robert Coleman
    - **Office of Agency Services**
      Vonda Bell
    - **Office of the Chief Financial Officer**
      Sandi Walters
    - **Office of Congressional and Public Affairs**
      Trevor Reuschel
    - **Office of Data Analytics and Economics**
      Jeremy D'Antoni
    - **Office of Examination**
      Michael J. Duffy
    - **Office of Information Technology**
      Jerald Golley
    - **Office of Regulatory Policy**
      Kevin Kramp
  - **Office of Equal Employment Opportunity and Inclusion**
    Thais Burlew
  - **Office of General Counsel**
    David Grahn*
  - **Office of Secondary Market Oversight**†
    Thomas R. Fay
  - **Designated Agency Ethics Official**
    Jane Virga
  - **Secretary to the Board**
    Ashley Waldron
- **Office of Inspector General**
  Wendy R. Laguarda

* Maintains a confidential advisory relationship with each of the board members.

† Reports to the board for policy and to the CEO for administration.

FCA's organization and leadership

Organization of FCA

FCA's headquarters is in McLean, Virginia. We also have field offices in Bloomington, Minnesota; Dallas, Texas; Denver, Colorado; and Sacramento, California. As of July 1, 2023, we had 341 employees.

FCA's leadership

FCA has the following three board members.

Vincent G. Logan, FCA Board Chairman and CEO

Vincent G. Logan was appointed to the FCA board by President Joseph Biden on Oct. 3, 2022. He was designated board chairman and CEO on Oct. 21. The agency's first openly LGBT person and Native American board member, he is serving a term that expires on May 21, 2026.

Chairman Logan is also a member of the board of directors of the Farm Credit System Insurance Corporation, an independent U.S. government-controlled corporation that insures the timely payment of principal and interest on obligations issued jointly by Farm Credit System banks.

Prior to joining FCA, Chairman Logan was chief financial officer and chief investment officer for the Native American Agriculture Fund, which is the largest philanthropic organization dedicated solely to serving the Native American farming and ranching community.

Nominated by President Barack Obama and confirmed by the U.S. Senate in 2014, Chairman Logan served as the Special Trustee for American Indians at the U.S. Department of the Interior. During his tenure, he was appointed to the Department of the Treasury's Financial Literacy Education Commission, which seeks to develop a national strategy on financial education.

Chairman Logan has worked in New York both as a lawyer, practicing in aircraft, shipping, and equipment finance, and as an investment advisor, focusing on institutional asset management and permanent fund development.

Chairman Logan previously served as a director to the Federal Reserve Bank of St. Louis, Little Rock Branch, and as an Oklahoma State University Foundation governor. He was educated at Oklahoma State University; the University of Oklahoma College of Law; Queen's College, Oxford University; and the School of International and Public Affairs at Columbia University.

Vincent G. Logan
Board Chairman and CEO

Jeffery S. Hall, FCA Board Member

Jeffery S. Hall was appointed to the FCA board by President Barack Obama on March 17, 2015. Mr. Hall is serving a term that expired on Oct. 13, 2018. He will continue to serve until his successor has been named.

Mr. Hall also serves as chairman of the board of directors of the Farm Credit System Insurance Corporation, an independent U.S. government-controlled corporation that insures the timely payment of principal and interest on obligations issued jointly by Farm Credit System banks.

Mr. Hall was president of The Capstone Group, an association management and consulting firm that he cofounded in 2009. He was the state executive director for the U.S. Department of Agriculture's Farm Service Agency in Kentucky from 2001 to 2009. In that role, he had responsibility for farm program and farm loan program delivery and compliance.

From 1994 to 2001, Mr. Hall served as assistant to the dean of the University of Ken-

Jeffery S. Hall

tucky, College of Agriculture, advising the dean on state and federal legislative activities and managing a statewide economic development initiative called Ag-Project 2000.

Mr. Hall also served as a senior staff member in the office of U.S. Senator Mitch McConnell from 1988 until 1994. During that time, he was the legislative assistant for agriculture, accountable for internal and external issue management.

Before joining Senator McConnell's staff, Mr. Hall served on the staff of the Kentucky Farm Bureau Federation. Over his 30-year career in agriculture, he has held leadership positions in the following nonprofits: the Kentucky Agricultural Council, the Agribusiness Industry Network, the Louisville Agricultural Club, the Kentucky Agricultural Water Quality Authority, and the Governor's Commission on Family Farms.

Mr. Hall was raised on a family farm in southern Indiana, which has been in his family for over 200 years. He is currently a partner in the farm with his mother and sister. Mr. Hall received a Bachelor of Science from Purdue University.

Glen R. Smith

Glen R. Smith, Board Member

Glen R. Smith was designated FCA board chairman and CEO of the Farm Credit Administration by President Donald Trump on July 17, 2019. He served in this position until Oct. 21, 2022. Mr. Smith has been a member of the FCA board since December 2017. Although his board term expired on May 21, 2022, he will continue to serve on the board until his successor has been named.

He also serves as a member of the board of directors of the Farm Credit System Insurance Corporation, an independent U.S. government-controlled corporation that insures the timely payment of principal and interest on obligations issued jointly by Farm Credit System banks.

Mr. Smith is a native of Atlantic, Iowa, where he was raised on a diversified crop and livestock farm. His farm experience started at a very early age, after his father was involved in a disabling farm accident. He graduated from Iowa State University in 1979 with a Bachelor of Science in agricultural business and accepted a position with Doane Agricultural Services as state manager of the company's farm real estate division.

In 1982, Mr. Smith and his wife, Fauzan, moved back to his hometown and started farming and developing his ag service business. Today, their family farm, Smith Generation Farms Inc., has grown to encompass about 2,000 acres devoted to corn, soybeans, hay, and a small beef cow herd.

Mr. Smith is founder and co-owner of Smith Land Service Co., an ag service company that specializes in farm management, land appraisal, and farmland brokerage, serving about 30 Iowa counties. From 2001 to 2016, he was also co-owner and manager of S&K Land Co., an entity involved in the acquisition, improvement, and exchange of Iowa farmland. Mr. Smith has served on numerous community, church, and professional boards. He was elected to the Atlantic Community School Board of Education on which he served for nine years.

In 1990, he earned the title of Accredited Rural Appraiser from the American Society of Farm Managers and Rural Appraisers. In 2000, he served as president of the Iowa chapter of that organization. He is a lifelong member of the Farm Bureau, Iowa Corn Growers Association, Iowa Soybean Association, and Iowa Cattlemen's Association.

The Smiths have four grown children and six grandchildren. Three of their children are directly involved in production agriculture. Their son Peter has assumed managerial responsibilities for both the family farm and business.

Appendix

Glossary

Agricultural credit association (ACA)—An ACA results from the merger of a federal land bank association (or a federal land credit association) and a production credit association (PCA) and has the combined authority of the two institutions. An ACA borrows funds from a farm credit bank or an agricultural credit bank to provide short-, intermediate-, and long-term credit to farmers, ranchers, and producers and harvesters of aquatic products. It also makes loans to these borrowers for certain processing and marketing activities, to rural residents for housing, and to certain farm-related businesses.

Agricultural credit bank (ACB)—An ACB results from the merger of a farm credit bank and a bank for cooperatives and has the combined authorities of those two institutions. An ACB is also authorized to finance U.S. agricultural exports and provide international banking services for farmer-owned cooperatives. CoBank is the only ACB in the FCS.

Bank for cooperatives (BC)—A BC provided lending and other financial services to farmer-owned cooperatives, rural utilities (electric and telephone), and rural sewer and water systems. It was also authorized to finance U.S. agricultural exports and provide international banking services for farmer-owned cooperatives. The last remaining BC in the FCS, the St. Paul Bank for Cooperatives, merged with CoBank on July 1, 1999.

Farm Credit Act—The Farm Credit Act of 1971, as amended, (12 U.S.C. §§ 2001–2279cc) is the statute under which the FCS operates. The Farm Credit Act recodified all previous acts governing the FCS.

Farm credit bank (FCB)—FCBs provide services and funds to local associations that, in turn, lend those funds to farmers, ranchers, producers and harvesters of aquatic products, rural residents for housing, and some agriculture-related businesses. On July 6, 1988, the federal land bank and the federal intermediate credit bank in 11 of the 12 then-existing Farm Credit System districts merged to become FCBs. The mergers were required by the Agricultural Credit Act of 1987.

Farm Credit Leasing Services Corporation—The Leasing Corporation is a service entity owned by CoBank, ACB. It provides equipment leasing and related services to eligible borrowers, including agricultural producers, cooperatives, and rural utilities.

Farm Credit System Insurance Corporation (FCSIC)—FCSIC was established by the Agricultural Credit Act of 1987 as an independent U.S. government-controlled corporation. Its purpose is to ensure the timely payment of principal and interest on insured notes, bonds, and other obligations issued on behalf of FCS banks and to act as conservator or receiver of FCS institutions. The FCA board serves ex officio as the board of directors for FCSIC. The chairman of the FCSIC board of directors must be an FCA board member other than the current chairman of the FCA board.

Federal Agricultural Mortgage Corporation—Farmer Mac was created with the enactment of the Agricultural Credit Act of 1987 to provide a secondary market for agricultural real estate and rural housing mortgage loans.

Federal Farm Credit Banks Funding Corporation—The Funding Corporation, based in Jersey City, New Jersey, manages the sale of Systemwide debt securities to finance the loans made by FCS institutions. It uses a network of bond dealers to market its securities.

Federal intermediate credit bank (FICB)—The Agricultural Credits Act of 1923 provided for the creation of 12 FICBs to discount farmers' short- and intermediate-term notes made by commercial banks, livestock loan companies, and thrift institutions. The Farm Credit Act of 1933 authorized farmers to organize PCAs, which could discount notes with FICBs. As a result, PCAs became the primary entities for delivery of short- and intermediate-term credit to farmers and ranchers. The FICBs and the federal land banks merged to become FCBs or part of the ACB. Thus, no FICBs remain within the FCS.

Federal land bank—The Federal Farm Loan Act of 1916 provided for the establishment of 12 federal land banks to provide long-term mortgage credit to farmers and ranchers, and later to rural home buyers. All federal land banks and FICBs have merged to become FCBs or part of the ACB. Thus, no federal land banks remain.

Federal land bank association—These associations were lending agents for FCBs before they received their affiliated banks' direct-lending authority to make long-term mortgage loans to farmers, ranchers, and rural residents for housing. As lending agents, the associations did not own loan assets but made loans only on behalf of the FCBs with which they were affiliated. As of Oct. 1, 2000, all active federal land bank associations had received direct-lending authority and did not serve as lending agents for FCBs.

Federal land credit association (FLCA)—An FLCA is the regulatory term FCA uses for a federal land bank association that owns its loan assets. An FLCA borrows funds from an FCB to make and service long-term loans to farmers, ranchers, and producers and harvesters of aquatic products. It also makes and services housing loans for rural residents.

Financial Institution Rating System (FIRS)—The FIRS is similar to the Uniform Financial Institutions Rating System used by other federal banking regulators. However, unlike the Uniform Financial Institutions Rating System, the FIRS was designed to reflect the nondepository nature of FCS institutions. The FIRS provides a general framework for assimilating and evaluating all significant financial, asset quality, and management factors to assign a composite rating to each System institution. The ratings are described below.

Rating 1—Institutions in this group are basically sound in every respect; any negative findings or comments are of a minor nature and are anticipated to be resolved in the normal course of business. Such institutions are well managed, resistant to external economic and financial disturbances, and more capable of withstanding the uncertainties of business conditions than those with lower ratings. Each institution in this category exhibits the best performance and risk management practices for its size, complexity, and risk profile. These institutions give no cause for regulatory concern.

Rating 2—Institutions in this group are fundamentally sound but may reflect modest weaknesses correctable in the normal course of business. Since the nature and severity of deficiencies are not material, such institutions are stable and able to withstand business fluctuations. Overall risk management practices are satisfactory for the size, complexity, and risk profile of each institution in this group. While areas of weakness could develop into conditions of greater concern, regulatory response is limited to the extent that minor adjustments are resolved in the normal course of business and operations continue in a satisfactory manner.

Rating 3—Institutions in this category exhibit a combination of financial, management, operational, or compliance weaknesses ranging from moderately severe to unsatisfactory. When weaknesses relate to asset quality or financial condition, such institutions may be vulnerable to the onset of adverse business conditions and could easily deteriorate if concerted action is not effective in correcting the areas of weakness. Institutions that are in significant noncompliance with laws and regulations may also be accorded this rating. Risk management practices are less than satisfactory for the size, complexity, and risk profile of each institution in this group. Institutions in this category generally give cause for regulatory concern and require more than normal supervision to address deficiencies. Overall strength and financial capacity, however, still make failure only a remote possibility if corrective actions are implemented.

Rating 4—Institutions in this group have an immoderate number of serious financial or operating weaknesses. Serious problems or unsafe and unsound conditions exist that are not being satisfactorily addressed or resolved. Unless effective actions are taken to correct these conditions, they are likely to develop into a situation that will impair future viability or constitute a threat to the interests of investors, borrowers, and stockholders. Risk management practices are generally unacceptable for the size, complexity, and risk profile of each institution in this group. A potential for failure is present but is not yet imminent or pronounced. Institutions in this category require close regulatory attention, financial surveillance, and a definitive plan for corrective action.

Rating 5—This category is reserved for institutions with an extremely high, immediate or near-term probability of failure. The number and severity of weaknesses or unsafe and unsound conditions are so critical as to require urgent external financial assistance. Risk management practices are inadequate for the size, complexity, and risk profile of each institution in this group. In the absence of decisive corrective measures, these institutions will likely require liquidation or some form of emergency assistance, merger, or acquisition.

Government-sponsored enterprise (GSE)—A GSE is typically a federally chartered corporation that is privately owned, designed to provide a source of credit nationwide, and limited to servicing one economic sector. Each GSE has a public or social purpose. GSEs are usually created because the private markets did not satisfy a purpose that Congress deems worthy—either to fill a credit gap or to enhance competitive behavior in the loan market. Each is given certain features or benefits (called GSE attributes) to allow it to overcome the barriers that prevented

Abbreviations

ACA—agricultural credit association

ACB—agricultural credit bank

CAMELS—capital, assets, management, earnings, liquidity, and sensitivity

CEO—chief executive officer

Farm Credit Act—Farm Credit Act of 1971, as amended

Farmer Mac—Federal Agricultural Mortgage Corporation

FCA—Farm Credit Administration

FCB—farm credit bank

FCS—Farm Credit System

FCSIC—Farm Credit System Insurance Corporation

FIRS—Financial Institution Rating System

FLCA—federal land credit association

GAAP—generally accepted accounting principles

OFIs—other financing institutions

PCA—production credit association

USDA—U.S. Department of Agriculture

YBS—young, beginning, and small (farmers and ranchers)

purely private markets from developing. The FCS is the oldest financial GSE.

Participation—A loan participation is usually a large loan in which two or more lenders share in providing loan funds to a borrower to manage credit risk or overcome a legal lending limit for a single credit. One of the participating lenders originates, services, and documents the loan. Generally, the borrower deals with the institution originating the loan and is not aware of the other participating institutions.

Production credit association (PCA)—PCAs are FCS entities that deliver only short- and intermediate-term loans to farmers and ranchers. A PCA borrows money from its FCB to lend to farmers. PCAs also own their loan assets. As of Jan. 1, 2003, all PCAs were eliminated as independent, stand-alone, direct-lender associations. All PCAs are now subsidiaries of ACAs.

Service corporation—Sections 4.25 and 4.28 of the Farm Credit Act authorize FCS banks and associations to organize service corporations for performing functions and services that banks and associations are authorized to perform under the Farm Credit Act, except that the corporations may not provide credit or insurance services to borrowers.

Syndication—A loan syndication (or “syndicated bank facility”) is a large loan in which a group of banks work together to provide funds for a borrower. Usually one bank takes the lead, acting as an agent for all syndicate members and serving as the focal point between them and the borrower. All syndicate members are known at the outset to the borrower and they each have a contractual interest in the loan.

Additional information

The 2022 Annual Report of the Farm Credit Administration is available on FCA's website at www.fca.gov. For questions about this publication, contact FCA:

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With support from the Farm Credit System banks, the Federal Farm Credit Banks Funding Corporation prepares the financial press releases, the System's Annual and Quarterly Information Statements, and the System's combined financial statements. These documents are available on the Funding Corporation's website at www.farmcreditfunding.com. For copies of these documents, contact the Funding Corporation:

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